

**UMTSHEZI  
MUNICIPALITY  
KZN234**



**FINAL ANNUAL BUDGET  
2016/17**

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## Abbreviations and Acronyms

AMR	Automated Meter Reading	ℓ	litre
ASGISA	Accelerated and Shared Growth Initiative	LED	Local Economic Development
BPC	Budget Planning Committee	MEC	Member of the Executive Committee
CBD	Central Business District	MFMA	Municipal Financial Management Act Programme
CFO	Chief Financial Officer	MIG	Municipal Infrastructure Grant
CM	City Manager	MMC	Member of Mayoral Committee
CPI	Consumer Price Index	MPRA	Municipal Properties Rates Act
CRRF	Capital Replacement Reserve Fund	MSA	Municipal Systems Act
DBSA	Development Bank of South Africa	MTEF	Medium-term Expenditure Framework
DoRA	Division of Revenue Act	MTREF	Medium-term Revenue and Expenditure Framework
DWA	Department of Water Affairs	NERSA	National Electricity Regulator South Africa
EE	Employment Equity	NGO	Non-Governmental organisations
EEDSM	Energy Efficiency Demand Side Management	NKPIs	National Key Performance Indicators
EM	Executive Mayor	OHS	Occupational Health and Safety
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Strategy	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
kℓ	kilolitre	SAPS	South African Police Service
km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
kWh	kilowatt		

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## Part 1 – Annual Budget

### 1.1 Mayor's Report

The Minister of Finance had stated in his budget speech in February 2016 that although the world economy remained troubled, there were signs of improvement in that economy and in line with this improvement, that South Africa's economy had continued to grow, albeit at a slower pace than what was expected in the previous year. It was also stated that although South Africa's economic outlook was improving, we "require to actively pursue a different trajectory if we are to address the challenges ahead." This would mean that all sectors of society would have to work together to achieve this.

Management within local government has a significant role to play in strengthening the link between the citizen and government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the uMtshezi Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that sustainable municipal services are provided economically and equitably to all communities.

The 2016/17 Medium Term Revenue and Expenditure Framework and its related policies has been compiled in compliance with the Municipal Finance Management Act No. 56 of 2003 and the Municipal Budget and Reporting Regulations which are aimed at improving credibility, sustainability, transparency, accuracy and reliability of municipal budgets.

The objective of the budget formats reform is to:

1. Ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the MFMA;
2. Improve the local governments spheres' ability to deliver basic services to all by-
  - addressing issues of financial sustainability, and
  - facilitating informed policy choices and medium term planning of service delivery by requiring targets to be aligned to achieve backlog elimination.

The draft 2016/17 MTREF has been prepared using realistically anticipated estimates and are guided by the guidelines as per the National Treasury budget circulars. The main aim of the budget is SERVICE DELIVERY. It is also aimed at ensuring that services are effectively and efficiently rendered in the most economical way.

A brief overview of the Final budget is as follows:

Total operating income – R 362 800 000

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Total Operating expenditure – R387 793 000

Operating Deficit – R24 994 000

Capital Transfers –R 24 234 000

Deficit- R 760 000

Capital Budget – 24 444 000

The capital budget would be financed from capital grants received from the Municipal Infrastructure Grant, INEP, Small Town rehabilitation and a small portion from council funding.

The operating budget is extremely constrained and focuses on service delivery. The reason for this, is the limiting income realistically anticipated.

Ngokubambisana singakha imiphakathi engcono. Let us work together to build a better community of Umtshezi thus achieving a better life for all.

**HIS WORSHIP THE MAYOR**

**COUNCILLOR B.D DLAMINI**

## **1.2 Council Resolutions**

On 31 May 2016 the Council of Umtshezi Local Municipality met in the Council Chambers of Umtshezi Municipality to consider the Final annual budget of the municipality for the financial year 2016/17. The Council approved and adopted the following resolutions:

1. The Council of Umtshezi Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The Final annual budget of the municipality for the financial year 2016/17 and the multi-year and single-year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 18;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 19;
    - 1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 21; and
    - 1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 22.
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in Table 23;



- 1.2.2. Budgeted Cash Flows as contained in Table 24;
  - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 25;
  - 1.2.4. Asset management as contained in Table 26; and
  - 1.2.5. Basic service delivery measurement as contained in Table 27.
2. The Council of Umtshezi Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2016:
    - 2.1. the tariffs for property rates;
    - 2.2. the tariffs for electricity; and
    - 2.3. the tariffs for solid waste services.
3. To give proper effect to the municipality's annual budget, the Council of Umtshezi Local Municipality approves:
    - 3.1. That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations.
    - 3.2. That the Municipal Manager be authorised to sign all necessary agreements and documents to give effect to the above lending programme.

### **1.3 Executive Summary**

The application of sound financial management principles for the compilation of the Municipality's financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No 78 and 79 were used to guide the compilation of the 2016/17 MTREF.

The main challenges experienced during the compilation of the 2016/17 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained roads and electricity infrastructure;

- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk electricity (due to tariff increases from Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable; and

The following budget principles and guidelines directly informed the compilation of the 2016/17 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/17 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

**Table 1 Consolidated Overview of the 2014/15 MTREF**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Total Revenue (excluding capital transfers and contributions)		253,494	293,145	309,691	348,956	346,245	327,043	327,043	362,800	376,963	399,581
Total Expenditure		289,769	323,746	366,072	393,579	401,070	381,503	381,503	387,793	412,547	437,300
Surplus/(Deficit)		(36,275)	(30,601)	(56,381)	(44,622)	(54,825)	(54,461)	(54,460)	(24,994)	(35,584)	(37,719)
Transfers recognised - capital		30,691	32,416	58,064	33,055	35,055	35,055	35,055	24,234	34,352	36,413
Surplus/(Deficit) for the year		(5,584)	1,815	1,683	(11,567)	(19,770)	(19,406)	(19,405)	(760)	(1,232)	(1,306)

Total operating revenue has grown by 5 per cent or R16.5 million for the 2016/17 financial year when compared to the 2015/16 Adjustments Budget. For the two outer years, operational revenue will increase by 6 per cent, equating to a total revenue growth of R53.3 million over the MTREF when compared to the 2015/16 financial year.

Total operating expenditure for the 2016/17 financial year has been appropriated at R387 million and translates into a budgeted deficit of R760 thousand. When compared to the 2015/16 Adjustments Budget, operational expenditure has decreased by 3 percent in the 2016/17 budget and increases by 6 per cent for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily increases to R1.2 million and then at R1.3 million.

The capital budget of R24.4 million for 2016/17 which is 48% per cent less when compared to the 2015/16 Adjustment Budget. The decrease is mainly due to the decrease in grants allocations.

## 1.4 Operating Revenue Framework

For Umtshezi Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the City and continued economic development;
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the Municipality.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

**Table 2 Summary of revenue classified by main revenue source**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 medium-term revenue & expenditure framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
<b>Revenue By Source</b>											
Property rates	2	38,106	60,174	62,923	57,798	57,798	30,722	30,722	57,506	60,957	64,614
Property rates - penalties & collection charges		5,598	7,165	9,242	10,657	10,657	9,898	9,898	11,296	11,974	12,693
Service charges - electricity revenue	2	158,001	168,691	172,208	196,549	196,549	212,104	212,104	215,025	227,926	241,602
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	5,353	6,529	6,628	5,806	7,117	7,044	7,044	7,467	7,915	8,390
Service charges - other		-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		387	463	330	351	200	595	595	630	668	708
Interest earned - external investments		-	2,443	2,573	3,494	1,000	279	279	295	313	331
Interest earned - outstanding debtors		2,261	-	-	2,027	1,007	660	660	700	742	786
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		46	62	1,283	87	87	68	68	1,360	1,442	1,528
Licences and permits		4,705	4,854	5,692	6,257	6,257	4,792	4,792	5,080	5,385	5,708
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		36,202	39,536	45,177	58,152	57,795	57,795	57,795	60,403	56,423	59,808
Other revenue	2	2,833	3,228	3,635	7,778	7,778	3,085	3,085	3,037	3,220	3,413
Gains on disposal of PPE											
Total Revenue (excluding capital transfers and contributions)		253,494	293,145	309,691	348,956	346,245	327,043	327,043	362,800	376,963	399,581

Rental of facilities has increase drastically due to the multi-purpose center that started functioning in the current financial year. Projections were used for the current financial year and an increase of 6 percent was added.

Fines have increased for the 16/17 financial due to the fact that fines are now recorded as they are issued and not at cost as in the previous financial years.

Land sales have decrease significantly due to the 4.3 million from land sales that is not included in the 16/17 financial year.

**Table 3 Percentage growth in revenue by main revenue source**

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework				
R thousand	Adjusted Budget		Budget Year 2016/17		Budget Year +1 2017/18		Budget Year +2 2018/19
<b>Revenue By Source</b>							
Property rates	57,798	-1%	57,506	6%	60,957	6%	64,614
Property rates - penalties & collection charges	10,657	6%	11,296	6%	11,974	6%	12,693
Service charges - electricity revenue	196,549	9%	215,025	6%	227,926	6%	241,602
Service charges - refuse revenue	7,117	5%	7,467	6%	7,915	6%	8,390
Rental of facilities and equipment	200	215%	630	6%	668	6%	708
Interest earned - external investments	1,000	-71%	295	6%	313	6%	331
Interest earned - outstanding debtors	1,007	-30%	700	6%	742	6%	786
Fines	87	1462%	1,360	6%	1,442	6%	1,528
Licences and permits	6,257	-19%	5,080	6%	5,385	6%	5,708
Transfers recognised - operational	57,795	5%	60,403	-7%	56,423	6%	59,808
Other revenue	7,778	-61%	3,037	6%	3,220	6%	3,413
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>346,245</b>		<b>362,800</b>		<b>376,963</b>		<b>399,581</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for the Municipality. Rates and service charge revenues comprise more than two thirds of the total revenue mix. In the 2016/17 financial year, revenue from rates and services charges totaled R291.2 million or 82 per cent. This increases to R308.7 million and R327 million in the respective financial years of the MTREF. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality. Details in this regard are contained in Table 64 MBRR SA1.

Operating grants and transfers totals R60 million in the 2016/17 financial year and steadily decreased to R59.8 million by 2018/19. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

**Table 4 Operating Transfers and Grant Receipts**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Budget Year 2016/17
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	
RECEIPTS:	1, 2							
<u>Operating Transfers and Grants</u>								
National Government:		31,944	36,636	43,764	53,718	-	-	57,666
Local Government Equitable Share		29,644	33,196	40,230	50,138			50,195
Municipal Systems Improvement		800	890	934	930			-
Finance Management		1,500	1,550	1,600	1,600			1,624
EPWP Incentive		-	1,000	1,000	1,050			994
Municipal Demarcation Transitional Grant								4,853
Provincial Government:		1,681	1,050	2,903	2,677	-	-	2,737
Health subsidy		1,413						-
Sport and Recreation			1,050	525				-
Museum Grant, Library Service and Provincialisation Grant		268		2,378	2,677			2,737
<b>Total Operating Transfers and Grants</b>	5	33,625	37,686	46,667	56,395	-	-	60,403
<u>Capital Transfers and Grants</u>								
National Government:		23,862	-	-	32,955	-	-	21,234
Municipal Infrastructure Grant (MIG)		12,749			17,955			16,688
Neighbourhood Development Partnership		11,113			-			
INEP					15,000			4,545
Provincial Government:		-	-	-	-	2,000	-	3,000
Small Town Rehabilitation Grant					-	2,000		3,000
<b>Total Capital Transfers and Grants</b>	5	23,862	-	-	32,955	2,000	-	24,234
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		57,487	37,686	46,667	89,350	2,000	-	84,637

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increases of Eskom and bulk tariffs are far beyond the mentioned inflation target. Given that these tariff increases are determined by external agencies, the impact they have on the municipality's electricity and in these tariffs are largely outside the control of the Municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the Municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol

and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

#### **1.4.1 Property Rates**

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0,25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R30 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- 43 per cent rebate will be granted on all residential properties (including residential hospitality properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- On Commercial properties, an average of 21% rebate;
- Industrial properties, an average of 27% rebate;
- Agriculture properties, 20% rebate;
- Public Service Infrastructure, 30% rebate; and
- And 5% rebate is given to the State Owned Properties.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2016/17 financial year based on a 5 per cent decrease on rebates from 1 July 2016 is contained below:

**Table 5 Comparison of proposed rates to levied for the 2016/17 financial year**

#### **RATES RANDAGE**

<b>Category</b>	<b>Impermissible</b>	<b>Rebate</b>	<b>Current Year Randage 2014/15</b>	<b>Proposed Randage 2016/17</b>
Residential	30 000	43%	0.018895	0.018895
Residential -	30 000	43%	0.018895	0.018895

Hospitality				
Commercial	-	As Per Table	0.03726	0.03726
Agriculture	-	14%	0.0025	0.0025
Public Service Infrastructure	-	First 30% non rated	0.002086	0.002086
State Owned	-	-	0.03119	0.03119
Industrial	-	As Per Table	0.03637	0.03726
Public Benefit Organisation Property	-	None	0.002068	0.002068
Recreational Clubs	-	30%	0.0018895	0.018895

#### **REBATES FOR COMMERCIAL PROPERTIES**

<b>Value of Property</b>	<b>Rebate</b>
0-1.5 million	25.660%
>1.5 million – 2.5 million	15.685%
>2.5 million – 7.5 million	19.635%
>7.5 million -10 million	13.650%
>10 million	34.121%

#### **REBATES FOR INDUSTRIAL PROPERTIES**

<b>VALUE OF PROPERTY</b>	<b>REBATE</b>
0-1 Million	03.286%
>1-2 million	07.234%
>2-5 million	34.405%
>5-36 million	30.470%
>36 million	57.692%

#### **ADDITIONAL RELIEF**

<b>USAGE/OWNER</b>	<b>ADDITIONAL REBATE</b>
BED & BREAKFAST	25%
BED& BREAKFAST(NON RESIDENT)	20%
PENSIONER	+12.50%

### **1.4.2 Sale of Electricity and Impact of Tariff Increases**



Considering the Eskom increases, the Municipality has applied for a 9.4 consumer tariff had to be per cent increase and is still awaiting for approval from NERSA. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

It should further be noted that NERSA has advised that a stepped tariff structure needs to be implemented from 1 July 2011. The effect thereof will be that the higher the consumption, the higher the cost per kWh. The aim is to subsidise the lower consumption users (mostly the poor). The Municipality has entered into discussions with NERSA regarding the suitability of the NERSA proposed stepped tariffs compared to those already being implemented by the Municipality already. Until the discussions are concluded, the Municipality will maintain the current stepped structure of its electricity tariffs.

The approved budget for the Electricity Division can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

#### **1.4.3 Waste Removal and Impact of Tariff Increases**

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6 per cent increase in the waste removal tariff is proposed from 1 July 2016. The municipality does not have the correct number of households therefore the 2015/16 projections were used and an increase of 6% was effected. Higher increases will not be viable in 2016/17 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6 per cent would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

#### 1.4.4 Overall impact of tariff increases on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

**Table 6 MBRR Table SA14 – Household bills**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17 % incr.	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Rand/cent											
<b>Monthly Account for Household - 'Middle Income Range'</b>	1										
Rates and services charges:											
Property rates		615.99	646.79	685.60	726.74	726.74	726.74	6.0%	770.34	816.57	865.56
Electricity: Basic levy											
Electricity: Consumption		1,772.98	1,932.55	2,075.37	2,199.89	2,199.89	2,199.89	9.4%	2,406.68	2,551.08	2,704.15
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		67.88	71.28	75.56	80.09	80.09	80.09	6.0%	84.90	89.99	95.39
Other											
sub-total		2,456.85	2,650.62	2,836.53	3,006.72	3,006.72	3,006.72	8.5%	3,261.92	3,457.63	3,665.09
VAT on Services											
Total large household bill:		2,456.85	2,650.62	2,836.53	3,006.72	3,006.72	3,006.72	8.5%	3,261.92	3,457.63	3,665.09
% increase/-decrease			7.9%	7.0%	6.0%	-	-		8.5%	6.0%	6.0%
<b>Monthly Account for Household - 'Affordable Range'</b>	2										
Rates and services charges:											
Property rates		134.62	141.35	149.83	158.82	158.82	158.82	6.0%	168.35	178.45	189.16
Electricity: Basic levy											
Electricity: Consumption		705.25	768.72	825.53	875.06	875.06	875.06	9.4%	957.32	1,014.75	1,075.64
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal		67.88	71.27	75.55	80.08	80.08	80.08	6.0%	84.88	89.98	95.38
Other											
sub-total		907.75	981.34	1,050.91	1,113.96	1,113.96	1,113.96	8.7%	1,210.55	1,283.18	1,360.17
VAT on Services											
Total small household bill:		907.75	981.34	1,050.91	1,113.96	1,113.96	1,113.96	8.7%	1,210.55	1,283.18	1,360.17
% increase/-decrease			8.1%	7.1%	6.0%	-	-		8.7%	6.0%	6.0%
<b>Monthly Account for Household - 'Indigent' Household receiving free basic services</b>	3										
Rates and services charges:											
Property rates											
Electricity: Basic levy											
Electricity: Consumption		617.43	372.99	722.72	766.08	766.08	766.08	9.4%	838.09	888.38	941.68
Water: Basic levy											
Water: Consumption											
Sanitation											
Refuse removal											
Other											
sub-total		617.43	372.99	722.72	766.08	766.08	766.08	9.4%	838.09	888.38	941.68
VAT on Services											
Total small household bill:		617.43	372.99	722.72	766.08	766.08	766.08	9.4%	838.09	888.38	941.68
% increase/-decrease			(39.6%)	93.8%	6.0%	-	-		9.4%	6.0%	6.0%

## 1.5 Operating Expenditure Framework

The Municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- The asset repairs and maintenance strategy and the repairs and maintenance plan;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plan no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure):

**Table 7 Summary of operating expenditure by standard classification item**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Expenditure By Type</b>											
Employee related costs	2	62,101	75,337	76,856	79,739	79,739	82,448	82,448	85,159	90,269	95,685
Remuneration of councillors		4,601	5,037	5,501	5,326	5,326	5,386	5,386	5,592	5,928	6,283
Debt impairment	3	6,460	14,452	16,756	12,908	12,908	12,908	12,908	9,035	9,577	10,152
Depreciation & asset impairment	2	36,782	38,664	47,673	44,436	44,436	44,436	44,436	54,656	57,936	61,412
Finance charges		814	1,660	6,259	6,392	6,392	6,829	6,829	4,679	4,960	5,258
Bulk purchases	2	129,227	132,913	143,811	161,065	161,065	151,519	151,519	176,205	186,777	197,984
Other materials	8	8,961	10,341	16,339	14,137	11,581	9,234	9,234	8,452	8,960	9,497
Contracted services		11,223	2,991	8,362	10,886	10,887	11,960	11,960	11,531	12,222	12,955
Transfers and grants		1,165	6,143	6,921	8,537	8,537	8,537	8,537	-	-	-
Other expenditure	4, 5	27,590	35,800	36,919	50,152	60,198	48,246	48,246	32,483	35,919	38,074
Loss on disposal of PPE		845	407	674							
<b>Total Expenditure</b>		<b>289,769</b>	<b>323,746</b>	<b>366,072</b>	<b>393,579</b>	<b>401,070</b>	<b>381,503</b>	<b>381,503</b>	<b>387,793</b>	<b>412,547</b>	<b>437,300</b>

The budgeted allocation for employee related costs for the 2016/17 financial year totals R85 million', which equals 22. per cent of the total operating expenditure. An annual increase of 6 and 5.9 per cent has been included in the two outer years of the MTREF. As part of the planning assumptions and interventions all vacancies might be filled with placement method due to the merger that will take place in 2016/17 financial year with Imbabazane Local Municipality.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget which was a five percent increase.

The Directors increase is negotiated at council. For the 16/17 financial year an estimate of 7 percent increase was used.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R54.6million for the 2016/17 financials and equates to 14 per cent of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register.

Debt impairment is expected to decrease due to the assistance provided by the debt collectors appointed by the municipality.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital) and lease. Finance charges make up 1.2 per cent (R4.7 million) of operating expenditure. As previously noted, the Municipality has reached its prudential limits for borrowing because of poor cash flow position.

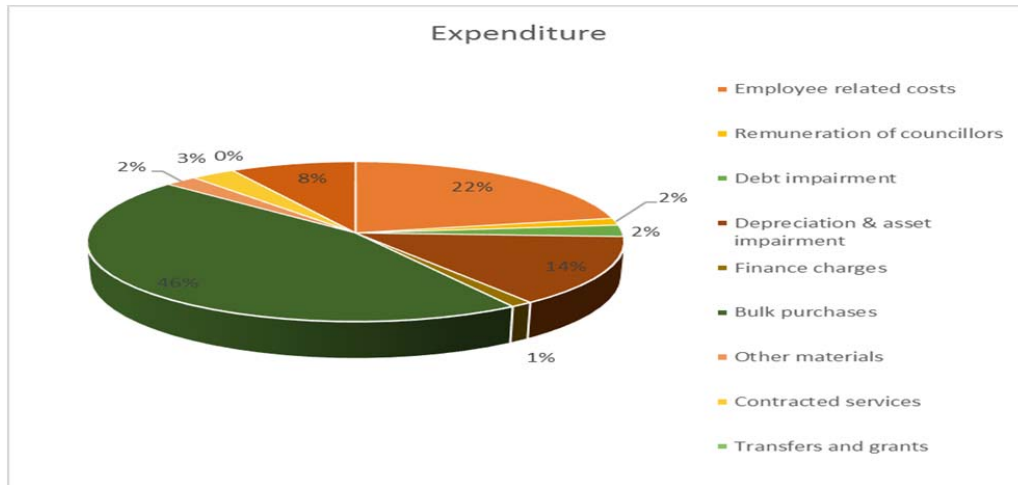
Bulk purchases are directly informed by the purchase of electricity from Eskom. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

Other materials comprises of amongst others, materials for maintenance, and chemicals. In line with the Municipality repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the Municipality's infrastructure. For 2016/17 the appropriation against this group of expenditure has decreased by 27 per cent (R3 million) compared to the adjustment budget. This is mainly due to the fact that the municipality is having cash flow problems Other materials will then increase by 6 % in the two outer years.

Contracted services comprises of Security Services. As part of the compilation of the 2016/17 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2016/17 financial year, this group of expenditure totals R11.5million and has decreased by 3.6 per cent, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 6 per cent.

Other expenditure comprises of various line items relating to the daily operations of the municipality. Due to the cash flows problems that the municipality is facing, general expenditure items have been decreased significantly for the 2016/17 financial year.

The following table gives a breakdown of the main expenditure categories for the 2016/17 financial year.



**Figure 1 Main operational expenditure categories for the 2016/17 financial year**

### 1.5.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality's current infrastructure, the 2016/17 budget and MTREF provide for growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 8 Operational repairs and maintenance**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Expenditure By Type</b>											
Employee related costs	2	62,101	75,337	76,856	79,739	79,739	82,448	82,448	85,159	90,269	95,685
Other materials	8	8,961	10,341	16,339	14,137	11,581	9,234	9,234	8,452	8,960	9,497
Contracted services		11,223	2,991	8,362	10,886	10,887	11,960	11,960	11,531	12,222	12,955
<b>Total Expenditure</b>		<b>82,285</b>	<b>88,669</b>	<b>101,558</b>	<b>104,762</b>	<b>102,207</b>	<b>103,643</b>	<b>103,643</b>	<b>105,143</b>	<b>111,450</b>	<b>118,137</b>

During the compilation of the 2015/16 Adjustments Budget repairs and maintenance was decreased from 14 million to 11 million. The municipality has recently purchases new fleet and plant. This has resulted in less repairs and maintenance of vehicles due the fact that the old vehicles were auctioned and the new fleet does not need a lot of repairs. Furthermore the

municipality is cut as much of its costs as possibility to regain its financial stability. To this end, repairs and maintenance was substantially decreased by 27 per cent in the 2016/17 financial year, from R11.5 million to R8.4 million. Notwithstanding the decrease, Repairs and maintenance still remains a priority as can be seen by the budget appropriations over the MTREF other materials will increase by 6 per cent in the two outer years. Other materials will increase to 9.4 million by the 2018/19 financial year.

### 1.5.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipality's Indigent Policy. The target is to register 7 000 or more indigent households during the 2016/17 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 1.6 Capital expenditure

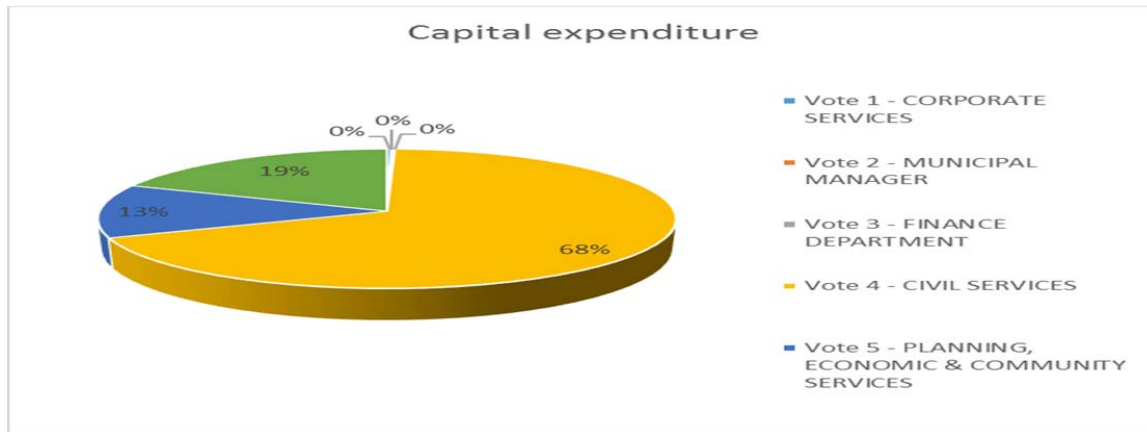
The following table provides a breakdown of budgeted capital expenditure by vote:

**Table 9 2016/17 Medium-term capital budget per vote**

Vote Description	Ref	2012/13			Current Year 2015/16				2016/17 Medium-term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
<b>Capital expenditure - Vote</b>											
<i>Multi-year expenditure to be appropriated</i>	2										
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - CORPORATE SERVICES		273	-	840	30	130	130	130	60	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	30	30	30	30	30	-	-
Vote 3 - FINANCE DEPARTMENT		-	-	95	1,530	1,530	1,530	1,530	30	-	-
Vote 4 - CIVIL SERVICES		28,722	11,539	16,383	17,985	25,902	25,902	25,902	16,718	19,352	19,352
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		879	2,209	36,644	330	3,988	3,988	3,988	3,030	-	-
Vote 6 - ELECTRICAL DEPARTMENT		-	12,230	8,129	15,030	15,030	15,030	15,030	4,575	15,000	15,000
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		29,874	25,979	62,091	34,935	46,610	46,610	46,610	24,444	34,352	34,352
Total Capital Expenditure - Vote		29,874	25,979	62,091	34,935	46,610	46,610	46,610	24,444	34,352	34,352

For 2016/17 an amount of R24.4 million has been appropriated for the development of infrastructure.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF.



## 1.7 Annual Budget Tables - Parent Municipality

The following pages present the ten main budget tables as required in terms of regulations 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2016/17 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

### Table 10 MBRR Table A1 - Budget Summary

#### Explanatory notes to MBRR Table A1 - Budget Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	43,704	67,339	72,165	68,455	68,455	40,620	40,620	68,803	72,931	77,307
Service charges	163,355	175,220	178,836	202,355	203,666	219,149	219,149	222,491	235,841	249,991
Investment revenue	-	2,443	2,573	3,494	1,000	279	279	295	313	331
Transfers recognised - operational	36,202	39,536	45,177	58,152	57,795	57,795	57,795	60,403	56,423	59,808
Other own revenue	10,233	8,607	10,940	16,500	15,329	9,200	9,200	10,807	11,456	12,143
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>253,494</b>	<b>293,145</b>	<b>309,691</b>	<b>348,956</b>	<b>346,245</b>	<b>327,043</b>	<b>327,043</b>	<b>362,800</b>	<b>376,963</b>	<b>399,581</b>
Employee costs	62,101	75,337	76,856	79,739	79,739	82,448	82,448	85,159	90,269	95,685
Remuneration of councillors	4,601	5,037	5,501	5,326	5,326	5,386	5,386	5,592	5,928	6,283
Depreciation & asset impairment	36,782	38,664	47,673	44,436	44,436	44,436	44,436	54,656	57,936	61,412
Finance charges	814	1,660	6,259	6,392	6,392	6,829	6,829	4,679	4,960	5,258
Materials and bulk purchases	138,188	143,253	160,151	175,202	172,646	160,753	160,753	184,657	195,737	207,481
Transfers and grants	1,165	6,143	6,921	8,537	8,537	8,537	8,537	-	-	-
Other expenditure	46,118	53,651	62,710	73,946	83,993	73,114	73,114	53,049	57,719	61,182
<b>Total Expenditure</b>	<b>289,769</b>	<b>323,746</b>	<b>366,072</b>	<b>393,579</b>	<b>401,070</b>	<b>381,503</b>	<b>381,503</b>	<b>387,793</b>	<b>412,547</b>	<b>437,300</b>
<b>Surplus/(Deficit)</b>	<b>(36,275)</b>	<b>(30,601)</b>	<b>(56,381)</b>	<b>(44,622)</b>	<b>(54,825)</b>	<b>(54,461)</b>	<b>(54,461)</b>	<b>(24,994)</b>	<b>(35,584)</b>	<b>(37,719)</b>
Transfers recognised - capital	30,691	32,416	58,064	33,055	35,055	35,055	35,055	24,234	34,352	36,413
Contributions recognised - capital & contributed a	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(5,584)</b>	<b>1,815</b>	<b>1,683</b>	<b>(11,567)</b>	<b>(19,770)</b>	<b>(19,406)</b>	<b>(19,405)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(5,584)</b>	<b>1,815</b>	<b>1,683</b>	<b>(11,567)</b>	<b>(19,770)</b>	<b>(19,406)</b>	<b>(19,405)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	<b>29,875</b>	<b>25,979</b>	<b>62,091</b>	<b>34,935</b>	<b>46,610</b>	<b>46,610</b>	<b>46,610</b>	<b>24,444</b>	<b>34,352</b>	<b>34,352</b>
Transfers recognised - capital	20,084	10,390	44,290	33,055	35,372	35,372	35,372	24,234	34,352	34,352
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	7,200	11,539	-	-	-	-	-	-	-	-
Internally generated funds	2,591	4,050	17,801	1,880	11,238	11,238	11,238	210	-	-
<b>Total sources of capital funds</b>	<b>29,875</b>	<b>25,979</b>	<b>62,091</b>	<b>34,935</b>	<b>46,610</b>	<b>46,610</b>	<b>46,610</b>	<b>24,444</b>	<b>34,352</b>	<b>34,352</b>
<b>Financial position</b>										
Total current assets	99,768	141,882	116,968	67,086	93,629	93,629	93,629	59,920	128,945	136,681
Total non current assets	630,631	654,283	667,296	663,068	663,068	663,068	663,068	653,410	692,615	734,173
Total current liabilities	58,603	90,781	78,063	38,899	38,899	38,899	38,899	68,298	86,188	91,359
Total non current liabilities	25,096	39,294	40,793	30,154	30,154	30,154	30,154	27,786	29,453	31,220
Community wealth/Equity	646,700	666,089	665,407	661,101	687,643	687,643	687,643	617,246	705,919	748,275
<b>Cash flows</b>										
Net cash from (used) operating	36,818	32,647	50,339	33,894	24,702	24,702	24,702	41,729	44,233	46,887
Net cash from (used) investing	(33,924)	(49,348)	(51,854)	(29,060)	(46,610)	(46,610)	(46,610)	(24,350)	(25,811)	(27,360)
Net cash from (used) financing	(2,737)	10,526	(3,532)	(6,067)	(1,433)	(1,433)	(1,433)	(5,709)	(6,052)	(6,415)
<b>Cash/cash equivalents at the year end</b>	<b>13,680</b>	<b>7,349</b>	<b>2,302</b>	<b>7,768</b>	<b>(21,041)</b>	<b>(21,041)</b>	<b>(21,041)</b>	<b>(9,371)</b>	<b>3,000</b>	<b>16,113</b>
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	41,130	38,997	8,122	9,487	10,144	10,144	10,144	(9,278)	6,617	7,014
Application of cash and investments	(8,125)	(35,248)	(49,544)	(26,714)	(50,481)	(55,673)	(55,673)	(18,553)	(55,267)	(58,582)
<b>Balance - surplus (shortfall)</b>	<b>49,255</b>	<b>74,245</b>	<b>57,666</b>	<b>36,201</b>	<b>60,625</b>	<b>65,817</b>	<b>65,817</b>	<b>9,275</b>	<b>61,884</b>	<b>65,596</b>
<b>Asset management</b>										
Asset register summary (WDV)	438	438	214	654,823	216	216	216	216	229	243
Depreciation & asset impairment	36,782	38,664	47,673	44,436	44,436	44,436	54,656	54,656	57,936	61,412
Renewal of Existing Assets	-	-	10,000	15,000	15,000	15,000	15,000	4,545	-	-
Repairs and Maintenance	30,319	10,205	12,992	14,138	14,138	14,138	8,452	8,452	-	-
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	30,934	36,594	31,740	49,255	32,719	32,719	32,719	32,719	32,976	34,955
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	5	5	6	6	6	6	6	6	6	6

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasizes the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial



Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

- a. The operating surplus/deficit (after Total Expenditure) is negative over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. Although the Cash flow has a positive balance, the municipality's cash flow position is still weak. Hence the municipality has decided to keep its internally generated capital funding low.
4. The Municipality plans to work hard on collecting its old debt. The revenue section has put a plan in action in this regard, as the municipality is putting great emphasis on regaining its financial stability.
  5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 11 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
<b>Revenue - Standard</b>										
<i>Governance and administration</i>		91,470	109,052	147,843	134,730	130,707	144,479	130,858	139,771	148,157
Executive and council		1,680	2,361	403	3,261	3,261	483	3,756	3,981	4,220
Budget and treasury office		89,767	105,975	147,414	131,292	127,421	143,490	126,982	135,662	143,802
Corporate services		23	716	25	177	26	507	120	127	135
<i>Community and public safety</i>		1,443	4,569	4,136	3,534	3,534	4,441	4,334	4,593	4,868
Community and social services		1,258	3,040	3,996	2,917	2,917	4,245	2,973	3,151	3,340
Sport and recreation		28	1,466	63	172	172	126	1	-	-
Public safety		157	62	77	445	445	70	1,360	1,442	1,528
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		27,917	25,164	26,601	25,169	27,169	16,060	22,914	24,289	25,746
Planning and development		7,623	9,369	2	-	2,000	-	141	150	159
Road transport		20,293	15,795	26,599	25,169	25,169	16,060	22,773	24,139	25,588
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		163,355	186,776	189,175	218,578	219,890	197,119	228,927	242,663	257,223
Electricity		158,002	179,747	182,543	212,770	212,770	189,936	221,452	234,739	248,823
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		5,353	7,029	6,632	5,808	7,119	7,183	7,476	7,924	8,399
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Standard</b>	2	284,185	325,560	367,755	382,011	381,300	362,098	387,034	411,315	435,994
<b>Expenditure - Standard</b>										
<i>Governance and administration</i>		84,676	74,275	144,243	98,119	98,120	146,206	78,027	84,232	89,286
Executive and council		16,529	18,813	19,036	21,275	21,275	20,096	21,186	22,457	23,804
Budget and treasury office		62,013	45,693	112,366	62,992	62,992	109,715	42,628	46,709	49,512
Corporate services		6,134	9,770	12,841	13,852	13,853	16,396	14,213	15,066	15,970
<i>Community and public safety</i>		35,695	31,559	28,266	45,936	45,936	27,266	16,474	17,425	18,470
Community and social services		24,845	17,056	11,659	28,141	28,141	6,190	6,200	6,572	6,966
Sport and recreation		4,891	6,196	6,845	6,980	6,980	9,949	35	-	-
Public safety		5,960	8,307	9,762	10,815	10,815	11,126	10,239	10,853	11,504
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		23,481	39,410	32,498	47,926	57,972	28,570	77,321	81,960	86,878
Planning and development		8,632	12,554	13,506	16,365	16,365	14,384	12,479	13,228	14,022
Road transport		14,849	26,857	18,992	31,561	41,607	14,186	64,842	68,732	72,856
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		145,683	178,221	160,734	201,186	198,630	179,105	215,548	228,481	242,190
Electricity		141,933	169,178	154,459	194,680	192,124	168,535	208,825	221,354	234,636
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		3,750	9,043	6,275	6,507	6,507	10,570	6,723	7,127	7,554
<i>Other</i>	4	234	281	331	410	410	356	423	448	475
<b>Total Expenditure - Standard</b>	3	289,769	323,746	366,072	393,579	401,070	381,503	387,793	412,547	437,300
<b>Surplus/(Deficit) for the year</b>		(5,584)	1,815	1,683	(11,567)	(19,770)	(19,406)	(760)	(1,232)	(1,306)

## Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 06 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
- Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

- Note that as a general principle the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, but not the Waste management function. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the other departments.

Table 12 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1									
Vote 1 - CORPORATE SERVICES		7,745	10,925	10,067	13,161	13,010	10,139	13,335	14,135	14,983
Vote 2 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-
Vote 3 - FINANCE DEPARTMENT		89,767	105,975	147,414	131,292	127,421	143,490	126,982	135,661	143,800
Vote 4 - CIVIL SERVICES		15,588	10,942	20,905	18,687	18,687	11,141	17,558	18,612	19,728
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		13,083	17,972	6,825	6,101	9,412	7,392	7,707	8,169	8,659
Vote 6 - ELECTRICAL DEPARTMENT		158,002	179,747	182,543	212,770	212,770	189,936	221,452	234,739	248,823
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	284,185	325,560	367,755	382,011	381,300	362,097	387,034	411,315	435,994
Expenditure by Vote to be appropriated	1									
Vote 1 - CORPORATE SERVICES		29,155	38,549	43,687	47,678	47,679	51,690	48,534	51,447	54,533
Vote 2 - MUNICIPAL MANAGER		1,549	1,851	1,110	1,340	1,340	66	1,367	1,449	1,536
Vote 3 - FINANCE DEPARTMENT		62,013	45,693	112,366	62,992	62,992	109,715	42,628	46,672	49,472
Vote 4 - CIVIL SERVICES		12,705	25,190	17,386	29,811	39,857	11,981	31,563	33,457	35,464
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		42,414	43,284	37,064	57,078	57,078	39,517	54,876	58,169	61,659
Vote 6 - ELECTRICAL DEPARTMENT		141,933	169,178	154,459	194,680	192,124	168,535	208,825	221,354	234,636
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	289,769	323,746	366,072	393,579	401,070	381,503	387,793	412,547	437,300
Surplus/(Deficit) for the year	2	(5,584)	1,815	1,683	(11,567)	(19,770)	(19,406)	(760)	(1,232)	(1,306)

### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity services.

**Table 13 Surplus/(Deficit) calculations for the trading services**

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>ELECTRICITY</b>									
Total Revenue Incl Capital Transfers	158,002	179,747	182,543	212,770	212,770	189,936	221,452	234,739	248,823
Total Expenditure	141,933	169,178	154,459	194,680	192,124	168,535	208,825	221,354	234,636
Surplus/deficit for the year	16,068	10,569	28,084	18,090	20,646	21,401	12,627	13,384	14,188
Percentage Surplus/ Deficit	10%	6%	15%	9%	10%	11%	6%	6%	6%
<b>REFUSE</b>									
Total Revenue Incl Capital Transfers	5,353	7,029	4,934	5,808	7,119	7,182	5,583	5,918	6,273
Total Expenditure	3,750	9,043	6,275	6,507	6,507	10,570	6,723	7,127	7,554
Surplus/deficit for the year	1,603	(2,014)	(1,341)	(698)	613	(3,388)	(1,140)	(1,208)	(1,281)
Percentage Surplus/ Deficit	30%	-29%	-27%	-12%	9%	-47%	-20%	-20%	-20%

### Explanatory notes to surplus and deficit calculation for Trading Services

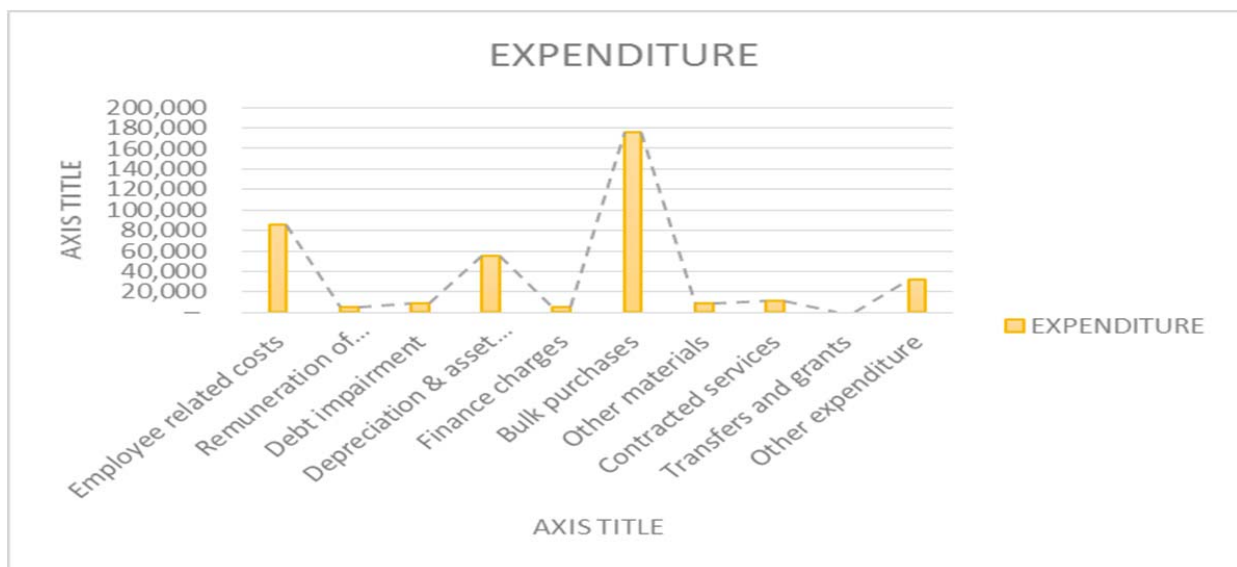
The municipality is currently making a loss in the collecting of refuse. A loss of 1.1 million will be made in 2016/17. However the loss has decreased compared to the 2014/14 and 2014/15 financial years. The electrical department makes an average of 11 percent profit. It is expected to perform the same in the two outer years.

**Table 14 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 medium term revenue & expenditure framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>										
<b>Revenue By Source</b>											
Property rates	2	38,106	60,174	62,923	57,798	57,798	30,722	30,722	57,506	60,957	64,614
Property rates - penalties & collection charges		5,598	7,165	9,242	10,657	10,657	9,898	9,898	11,296	11,974	12,693
Service charges - electricity revenue	2	158,001	168,691	172,208	196,549	196,549	212,104	212,104	215,025	227,926	241,602
Service charges - refuse revenue	2	5,353	6,529	6,628	5,806	7,117	7,044	7,044	7,467	7,915	8,390
Rental of facilities and equipment		387	463	330	351	200	595	595	630	668	708
Interest earned - external investments		-	2,443	2,573	3,494	1,000	279	279	295	313	331
Interest earned - outstanding debtors		2,261	-	-	2,027	1,007	660	660	700	742	786
Fines		46	62	1,283	87	87	68	68	1,360	1,442	1,528
Licences and permits		4,705	4,854	5,692	6,257	6,257	4,792	4,792	5,080	5,385	5,708
Transfers recognised - operational		36,202	39,536	45,177	58,152	57,795	57,795	57,795	60,403	56,423	59,808
Other revenue	2	2,833	3,228	3,635	7,778	7,778	3,085	3,085	3,037	3,220	3,413
Gains on disposal of PPE											
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>253,494</b>	<b>293,145</b>	<b>309,691</b>	<b>348,956</b>	<b>346,245</b>	<b>327,043</b>	<b>327,043</b>	<b>362,800</b>	<b>376,963</b>	<b>399,581</b>
<b>Expenditure By Type</b>											
Employee related costs	2	62,101	75,337	76,856	79,739	79,739	82,448	82,448	85,159	90,269	95,685
Remuneration of councillors		4,601	5,037	5,501	5,326	5,326	5,386	5,386	5,592	5,928	6,283
Debt impairment	3	6,460	14,452	16,756	12,908	12,908	12,908	12,908	9,035	9,577	10,152
Depreciation & asset impairment	2	36,782	38,664	47,673	44,436	44,436	44,436	44,436	54,656	57,936	61,412
Finance charges		814	1,660	6,259	6,392	6,392	6,829	6,829	4,679	4,960	5,258
Bulk purchases	2	129,227	132,913	143,811	161,065	161,065	151,519	151,519	176,205	186,777	197,984
Other materials	8	8,961	10,341	16,339	14,137	11,581	9,234	9,234	8,452	8,960	9,497
Contracted services		11,223	2,991	8,362	10,886	10,887	11,960	11,960	11,531	12,222	12,955
Transfers and grants		1,165	6,143	6,921	8,537	8,537	8,537	8,537	-	-	-
Other expenditure	4, 5	27,590	35,800	36,919	50,152	60,198	48,246	48,246	32,483	35,919	38,074
Loss on disposal of PPE		845	407	674							
<b>Total Expenditure</b>		<b>289,769</b>	<b>323,746</b>	<b>366,072</b>	<b>393,579</b>	<b>401,070</b>	<b>381,503</b>	<b>381,503</b>	<b>387,793</b>	<b>412,547</b>	<b>437,300</b>
<b>Surplus/(Deficit)</b>		<b>(36,275)</b>	<b>(30,601)</b>	<b>(56,381)</b>	<b>(44,622)</b>	<b>(54,825)</b>	<b>(54,461)</b>	<b>(54,460)</b>	<b>(24,994)</b>	<b>(35,584)</b>	<b>(37,719)</b>
Transfers recognised - capital		30,691	32,416	58,064	33,055	35,055	35,055	35,055	24,234	34,352	36,413
Contributed assets											
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(5,584)</b>	<b>1,815</b>	<b>1,683</b>	<b>(11,567)</b>	<b>(19,770)</b>	<b>(19,406)</b>	<b>(19,405)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>
Taxation											
<b>Surplus/(Deficit) after taxation</b>		<b>(5,584)</b>	<b>1,815</b>	<b>1,683</b>	<b>(11,567)</b>	<b>(19,770)</b>	<b>(19,406)</b>	<b>(19,405)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(5,584)</b>	<b>1,815</b>	<b>1,683</b>	<b>(11,567)</b>	<b>(19,770)</b>	<b>(19,406)</b>	<b>(19,405)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		<b>(5,584)</b>	<b>1,815</b>	<b>1,683</b>	<b>(11,567)</b>	<b>(19,770)</b>	<b>(19,406)</b>	<b>(19,405)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>

## Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R362.8 million in 2016/17 and escalates to R400 million by 2018/19. This represents a year-on-year increase of 4.5 per cent for the 2017/18 financial year and 6 per cent for the 2018/19 financial year.
2. Revenue to be generated from property rates is R57.5 million in the 2016/17 financial year and increases to R64.4 million by 2018/19 which represents 18 per cent of the operating revenue base of the Municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent, 6 per cent and 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to electricity and refuse removal constitutes the biggest component of the revenue basket of the Municipality totalling R222 million for the 2016/17 financial year and increasing to R250 million by 2018/19. For the 2016/17 financial year services charges amount to 60 per cent of the total revenue base and grows by 6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of electricity.
4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing over the MTREF by 3.5per cent. The percentage increase in based on the allocations set out for the municipality.
5. The following graph illustrates the major expenditure items per type.



**Figure 2 Expenditure by major type**

6. Bulk purchases have significantly increased over the 2012/13 to 2016/17 period escalating from R129 million to R176 million. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom.
7. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

**Table 15 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 medium term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
<b>Capital expenditure - Vote</b>											
<i>Multi-year expenditure, to be appropriated</i>	2										
<i>Single-year expenditure to be appropriated</i>	2										
Vote 1 - CORPORATE SERVICES		273	-	840	30	130	130	130	60	-	-
Vote 2 - MUNICIPAL MANAGER		-	-	-	30	30	30	30	30	-	-
Vote 3 - FINANCE DEPARTMENT		-	-	95	1,530	1,530	1,530	1,530	30	-	-
Vote 4 - CIVIL SERVICES		28,722	11,539	16,383	17,985	25,902	25,902	25,902	16,718	19,352	19,352
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		879	2,209	36,644	330	3,988	3,988	3,988	3,030	-	-
Vote 6 - ELECTRICAL DEPARTMENT		-	12,230	8,129	15,030	15,030	15,030	15,030	4,575	15,000	15,000
Vote 7 - [NAME OF VOTE 7]		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		29,874	25,979	62,091	34,935	46,610	46,610	46,610	24,444	34,352	34,352
<b>Total Capital Expenditure - Vote</b>		29,874	25,979	62,091	34,935	46,610	46,610	46,610	24,444	34,352	34,352
<b>Capital Expenditure - Standard</b>											
<i>Governance and administration</i>		273	-	935	1,590	1,690	1,690	1,690	120	-	-
Executive and council				795	30	30	30	30	60		
Budget and treasury office				95	1,530	1,530	1,530	1,530	30		
Corporate services		273		45	30	130	130	130	30		
<i>Community and public safety</i>		649	-	-	330	3,988	3,988	3,988	3,030	-	-
Community and social services					330	3,988	3,988	3,988	3,030		
Sport and recreation		649									
Public safety											
Housing											
Health											
<i>Economic and environmental services</i>		28,953	13,749	53,027	17,985	25,902	25,902	25,902	16,718	19,352	19,352
Planning and development		230	2,209	36,644							
Road transport		28,722	11,539	16,383	17,985	25,902	25,902	25,902	16,718	19,352	19,352
Environmental protection											
<i>Trading services</i>		-	12,230	8,129	15,030	15,030	15,030	15,030	4,575	15,000	15,000
Electricity			12,230	8,129	15,030	15,030	15,030	15,030	4,575	15,000	15,000
Water											
Waste water management											
Waste management											
<i>Other</i>											
<b>Total Capital Expenditure - Standard</b>	3	29,875	25,979	62,091	34,935	46,610	46,610	46,610	24,444	34,352	34,352
<b>Funded by:</b>											
National Government		10,209	10,390	44,290	33,055	33,055	33,055	33,055	21,234	34,352	34,352
Provincial Government		9,875				2,317	2,317	2,317	3,000		
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	20,084	10,390	44,290	33,055	35,372	35,372	35,372	24,234	34,352	34,352
Public contributions & donations	5										
Borrowing	6	7,200	11,539								
Internally generated funds		2,591	4,050	17,801	1,880	11,238	11,238	11,238	210		
<b>Total Capital Funding</b>	7	29,875	25,979	62,091	34,935	46,610	46,610	46,610	24,444	34,352	34,352

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to single-year appropriations, for 2016/17 R24.2million has been allocated of the total R24.4 capital budget, which totals 99 per cent.
3. The capital programmes are funded from national and provincial grants and internally generated funds from current year surpluses. For 2016/17, capital transfers totals R24.2 million and 210 thousand is internally generated funds. There will be no borrowings in the 2016/17 financial year.



**Table 16 MBRR Table A6 - Budgeted Financial Position**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>ASSETS</b>											
<b>Current assets</b>											
Cash		13,523	7,349	2,303	5,414	3,971	3,971	3,971	(9,372)	2,441	2,587
Call investment deposits	1	27,503	31,576	5,787	4,073	6,173	6,173	6,173	–	4,076	4,321
Consumer debtors	1	43,112	55,471	69,828	55,471	81,356	81,356	81,356	38,283	89,558	94,931
Other debtors		13,588	45,689	36,029	297	297	297	297	28,103	29,789	31,576
Current portion of long-term receivables		555	508	473	508	508	508	508	435	462	490
Inventory	2	1,488	1,290	2,547	1,323	1,323	1,323	1,323	2,471	2,619	2,776
<b>Total current assets</b>		<b>99,768</b>	<b>141,882</b>	<b>116,968</b>	<b>67,086</b>	<b>93,629</b>	<b>93,629</b>	<b>93,629</b>	<b>59,920</b>	<b>128,945</b>	<b>136,681</b>
<b>Non current assets</b>											
Long-term receivables		555									
Investments		103	72	33					94	100	106
Investment property											
Investment in Associate											
Property, plant and equipment	3	621,290	645,528	657,802	654,607	654,607	654,607	654,607	642,744	681,309	722,188
Agricultural											
Biological											
Intangible		438	438	214	216	216	216	216	216	229	243
Other non-current assets		8,245	8,245	9,246	8,245	8,245	8,245	8,245	10,356	10,977	11,636
<b>Total non current assets</b>		<b>630,631</b>	<b>654,283</b>	<b>667,296</b>	<b>663,068</b>	<b>663,068</b>	<b>663,068</b>	<b>663,068</b>	<b>653,410</b>	<b>692,615</b>	<b>734,173</b>
<b>TOTAL ASSETS</b>		<b>730,399</b>	<b>796,164</b>	<b>784,264</b>	<b>730,154</b>	<b>756,696</b>	<b>756,696</b>	<b>756,696</b>	<b>713,330</b>	<b>821,560</b>	<b>870,854</b>
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1										
Borrowing	4	534	5,236	5,407	5,777	5,777	5,777	5,777	3,715	3,938	4,174
Consumer deposits		2,845	3,041	3,079	3,041	3,041	3,041	3,041	3,109	3,296	3,494
Trade and other payables	4	47,976	58,997	47,643	25,091	25,091	25,091	25,091	39,540	55,704	59,046
Provisions		7,249	23,508	21,934	4,991	4,991	4,991	4,991	21,934	23,250	24,645
<b>Total current liabilities</b>		<b>58,603</b>	<b>90,781</b>	<b>78,063</b>	<b>38,899</b>	<b>38,899</b>	<b>38,899</b>	<b>38,899</b>	<b>68,298</b>	<b>86,188</b>	<b>91,359</b>
<b>Non current liabilities</b>											
Borrowing		9,974	19,410	18,677	14,491	14,491	14,491	14,491	9,519	10,090	10,695
Provisions		15,122	19,884	22,117	15,663	15,663	15,663	15,663	18,267	19,363	20,525
<b>Total non current liabilities</b>		<b>25,096</b>	<b>39,294</b>	<b>40,793</b>	<b>30,154</b>	<b>30,154</b>	<b>30,154</b>	<b>30,154</b>	<b>27,786</b>	<b>29,453</b>	<b>31,220</b>
<b>TOTAL LIABILITIES</b>		<b>83,699</b>	<b>130,076</b>	<b>118,856</b>	<b>69,053</b>	<b>69,053</b>	<b>69,053</b>	<b>69,053</b>	<b>96,084</b>	<b>115,641</b>	<b>122,579</b>
<b>NET ASSETS</b>	5	<b>646,700</b>	<b>666,089</b>	<b>665,407</b>	<b>661,101</b>	<b>687,643</b>	<b>687,643</b>	<b>687,643</b>	<b>617,246</b>	<b>705,919</b>	<b>748,275</b>
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)		645,605	664,993	664,312	660,006	686,548	686,548	686,548	616,151	704,824	747,180
Reserves	4	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	<b>646,700</b>	<b>666,089</b>	<b>665,407</b>	<b>661,101</b>	<b>687,643</b>	<b>687,643</b>	<b>687,643</b>	<b>617,246</b>	<b>705,919</b>	<b>748,275</b>

**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
3. Table 66 is supported by an extensive table of notes (SA3) providing a detailed analysis of the major components of a number of items, including:
  - Call investments deposits;
  - Consumer debtors;
  - Property, plant and equipment;
  - Trade and other payables;
  - Provisions non current;
  - Changes in net assets; and
  - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

**Table 17 MBRR Table A7 - Budgeted Cash Flow Statement**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 medium term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates, penalties & collection charges	212,917	50,150	52,165	56,133	50,102	50,102	50,102	54,884	58,177	61,668
Service charges		175,220	178,836	196,285	201,897	201,897	201,897	216,474	229,463	243,230
Other revenue		8,629	9,486	14,473	14,040	14,040	14,040	9,540	10,112	10,719
Government - operating	34,159	39,536	45,177	58,152	57,795	57,795	57,795	60,403	64,027	67,869
Government - capital	35,030	34,497	34,671	33,055	35,055	35,055	35,055	24,234	25,688	27,229
Interest	2,261	2,443	2,573	3,494	1,000	1,000	1,000	295	313	331
Dividends								-	-	-
<b>Payments</b>										
Suppliers and employees	(246,735)	(276,167)	(269,684)	(321,305)	(328,795)	(328,795)	(328,795)	(319,422)	(338,587)	(358,903)
Finance charges	(814)	(1,660)	(2,885)	(6,392)	(6,392)	(6,392)	(6,392)	(4,679)	(4,960)	(5,258)
Transfers and Grants								-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>36,818</b>	<b>32,647</b>	<b>50,339</b>	<b>33,894</b>	<b>24,702</b>	<b>24,702</b>	<b>24,702</b>	<b>41,729</b>	<b>44,233</b>	<b>46,887</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	1,072	(3,635)	25,863					-	-	-
Decrease (Increase) in non-current debtors	352							-	-	-
Decrease (Increase) other non-current receivables	(310)			584		-	-	-	-	-
Decrease (Increase) in non-current investments	(5,162)							94	100	106
<b>Payments</b>										
Capital assets	(29,875)	(45,713)	(77,717)	(29,644)	(46,610)	(46,610)	(46,610)	(24,444)	(25,911)	(27,465)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(33,924)</b>	<b>(49,348)</b>	<b>(51,854)</b>	<b>(29,060)</b>	<b>(46,610)</b>	<b>(46,610)</b>	<b>(46,610)</b>	<b>(24,350)</b>	<b>(25,811)</b>	<b>(27,360)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans	(864)	47	38					-	-	-
Borrowing long term/refinancing	(1,873)	9,746	2,603					-	-	-
Increase (decrease) in consumer deposits		734		5		-	-	68	72	76
<b>Payments</b>										
Repayment of borrowing			(6,173)	(6,072)	(1,433)	(1,433)	(1,433)	(5,777)	(6,124)	(6,491)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(2,737)</b>	<b>10,526</b>	<b>(3,532)</b>	<b>(6,067)</b>	<b>(1,433)</b>	<b>(1,433)</b>	<b>(1,433)</b>	<b>(5,709)</b>	<b>(6,052)</b>	<b>(6,415)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>157</b>	<b>(6,175)</b>	<b>(5,047)</b>	<b>(1,232)</b>	<b>(23,341)</b>	<b>(23,341)</b>	<b>(23,341)</b>	<b>11,670</b>	<b>12,371</b>	<b>13,113</b>
Cash/cash equivalents at the year begin:	13,523	13,523	7,349	9,000	2,300	2,300	2,300	(21,041)	(9,371)	3,000
Cash/cash equivalents at the year end:	13,680	7,349	2,302	7,768	(21,041)	(21,041)	(21,041)	(9,371)	3,000	16,113

## Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. It can be seen that the cash levels of the Municipality fell significantly over the 2014/15 to 2015/16 period owing directly to a net decrease in cash for the 2014/15 financial year of 5million.
4. As part of the 2015/16 mid-year review and Adjustments Budget this unsustainable cash position had to be addressed as a matter of urgency and various interventions were

implemented such as the reduction of expenditure allocations and rationalization of spending priorities.

5. In addition the Municipality undertook an extensive debt collection drive resulting in cash receipts on arrear debtors.
6. The 2016/17 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
7. Cash and cash equivalents at the end of 16/17 are budgeted at a deficit of 9.3 million.

**Table 18 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	13,680	7,349	2,302	7,768	(21,041)	(21,041)	(21,041)	(9,371)	3,000	16,113
Other current investments > 90 days		27,346	31,576	5,787	1,719	31,185	31,185	31,185	(1)	3,517	(9,205)
Non current assets - Investments	1	103	72	33	-	-	-	-	94	100	106
<b>Cash and investments available:</b>		<b>41,130</b>	<b>38,997</b>	<b>8,122</b>	<b>9,487</b>	<b>10,144</b>	<b>10,144</b>	<b>10,144</b>	<b>(9,278)</b>	<b>6,617</b>	<b>7,014</b>
<b>Application of cash and investments</b>											
Unspent conditional transfers		16,841	18,922	2,450	3,591	3,591	3,591	3,591	1,250	2,051	2,174
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	1,103	-	-
Other working capital requirements	3	(24,966)	(54,170)	(51,994)	(30,305)	(54,072)	(59,264)	(59,264)	(23,437)	(57,318)	(60,756)
Other provisions		-	-	-	-	-	-	-	434	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	2,097	-	-
<b>Total Application of cash and investments:</b>		<b>(8,125)</b>	<b>(35,248)</b>	<b>(49,544)</b>	<b>(26,714)</b>	<b>(50,481)</b>	<b>(55,673)</b>	<b>(55,673)</b>	<b>(18,553)</b>	<b>(55,267)</b>	<b>(58,582)</b>
<b>Surplus(shortfall)</b>		<b>49,255</b>	<b>74,245</b>	<b>57,666</b>	<b>36,201</b>	<b>60,625</b>	<b>65,817</b>	<b>65,817</b>	<b>9,275</b>	<b>61,884</b>	<b>65,596</b>

### **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2016/17 MTREF was funded owing to the significant surplus.
6. As part of the budgeting and planning guidelines that informed the compilation of the 2016/17 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

## Part 2 – Supporting Documentation

### 2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

#### 2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule on August 2015. Key dates applicable to the process were:

- **August 2015** – Joint strategic planning session of the Mayoral Committee and Executive Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2016/17 MTREF;
- **November 2016** – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;
- **3 to 7 January 2016**- Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- **January 2016** – Multi-year budget proposals are submitted to the Mayoral Committee for endorsement;
- **28 January 2016** - Council considers the 2014/15 Mid-year Review and Adjustments Budget;

- **February 2016** - Recommendations of the Mayoral Committee are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2016/17 MTREF is revised accordingly;
- **25 March 2016** - Tabling in Council of the draft 2016/17 IDP and 2016/17 MTREF for public consultation;
- **April 2016**— Public consultation;
- **May 2016**- Closing date for written comments;
- **6 to 21 May 2016** – finalisation of the 2016/17 IDP and 2016/17 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- **28 May 2016** - Tabling of the 2016/17 MTREF before Council for consideration and approval.

### 2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the fourth review of the IDP as adopted by Council in May 2016. It started in September 2015 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2016/17 MTREF in August.

The Municipality IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2016/17 MTREF, based on the approved 2015/16 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2016/17 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2015/16 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

### **2.1.3 Financial Modelling and Key Planning Drivers**

As part of the compilation of the 2016/17 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2016/17 MTREF:

- Town growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2016/17 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 74 and 75 has been taken into consideration in the planning and prioritisation process.

### **2.1.4 Community Consultation**

The draft 2016/17 MTREF will be tabled before Council on 30 March 2015 for community consultation will be published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. In addition a further development of this year's consultation process will include the launch of E-based consultation. E-mail notifications will be sent to all organisations on the municipality's database, including ratepayer associations, community-based organisations and organised business. The opportunity to give electronic feedback was also communicated on the Municipality's website.

Ward Committees will be utilised to facilitate the community consultation process in April 2016. The applicable dates and venues will be published in all the local newspapers. Additional initiatives will be launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions will be scheduled with organised business and imbizo's will be held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

## **2.2 Overview of alignment of annual budget with IDP**

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPis);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.



The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2016/17 MTREF and further planning refinements that have directly informed the compilation of the budget:

**Table 19 IDP Strategic Objectives**

<b>2015/16 Financial Year</b>	<b>2017/18 MTREF</b>
1. The provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Acceleration of higher and shared economic growth and development	2. Economic growth and development that leads to sustainable job creation
3. Fighting of poverty, building clean, healthy, safe and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Good governance, Financial viability and institutional governance	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
  - Provide electricity;
  - Provide water;
  - Provide sanitation;
  - Provide waste removal;
  - Provide housing;
  - Provide roads and storm water;
  - Provide public transport;
  - Provide city planning services; and
  - Maintaining the infrastructure of the City.
2. Economic growth and development that leads to sustainable job creation by:
  - Ensuring there is a clear structural plan for the City;
  - Ensuring planning processes function in accordance with set timeframes;

- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
- Effective implementation of the Indigent Policy;
  - Working with the provincial department of health to provide primary health care services;
  - Extending waste removal services and ensuring effective city cleansing;
  - Ensuring all waste water treatment works are operating optimally;
  - Working with strategic partners such as SAPS to address crime;
  - Ensuring safe working environments by effective enforcement of building and health regulations;
  - Promote viable, sustainable communities through proper zoning; and
  - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
- Optimising effective community participation in the ward committee system; and
  - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
- Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
- Reviewing the use of contracted services
  - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan
- 5.3 Optimal institutional transformation to ensure capacity to achieve set objectives
- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectoral plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

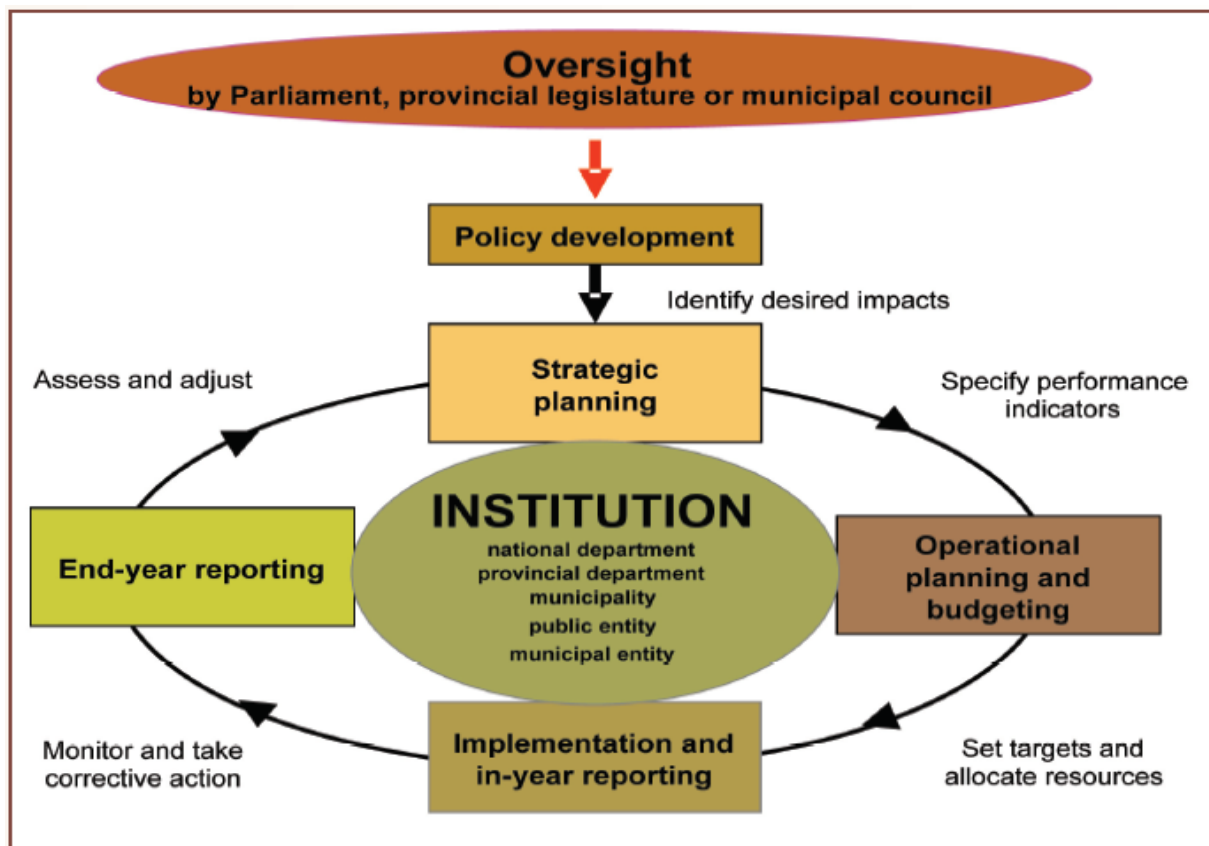
- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2016/17 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

## **2.3 Measurable performance objectives and indicators**

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assesses and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

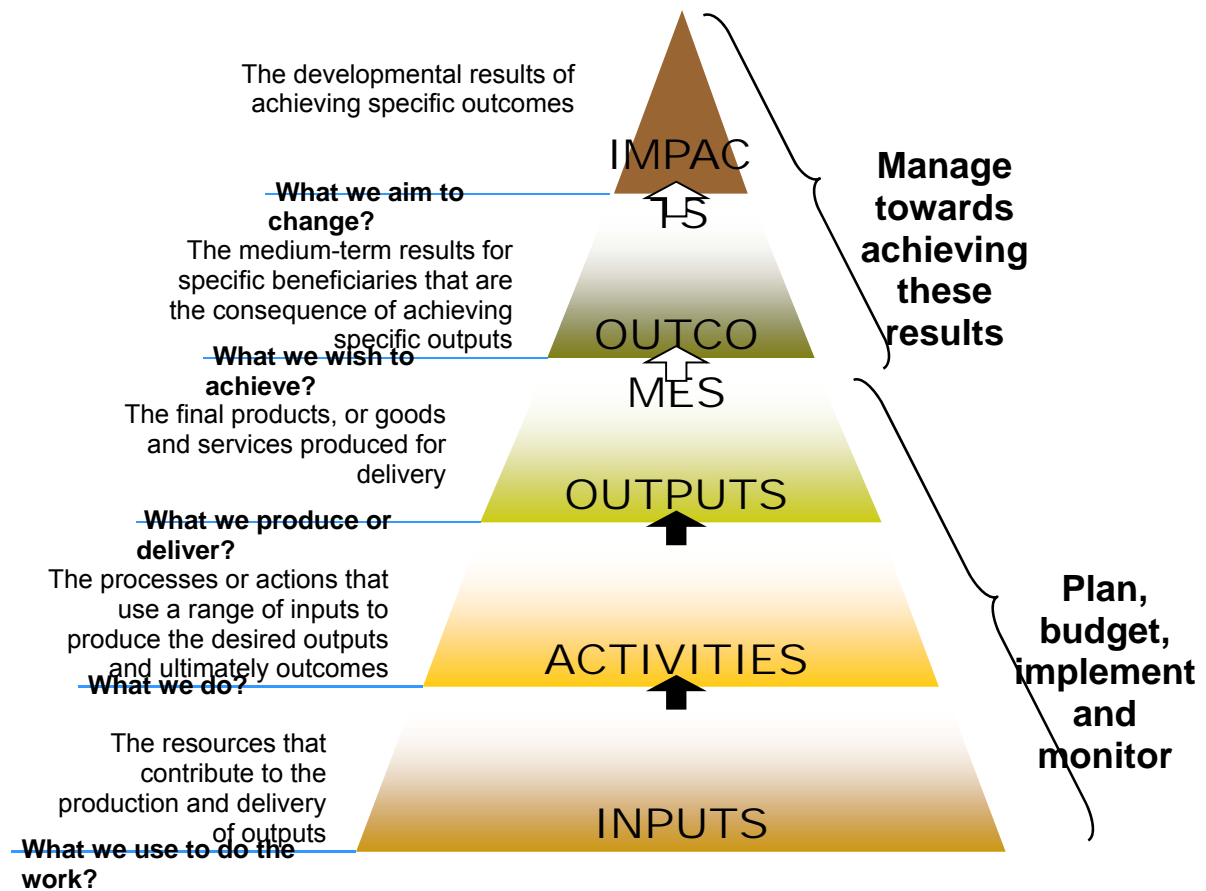


**Figure 3 Planning, budgeting and reporting cycle**

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The municipality therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and
- Improvement (making changes where necessary).

The performance information concepts used by the municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:



## 2.3.1 Performance indicators and benchmarks

### 2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, uMtshezi Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2016/17 MTREF:

- *Capital charges to operating expenditure* is a measure of the cost of borrowing in relation to the operating expenditure. It can be seen that the cost of borrowing has steadily decreased from 1.56 per cent in 2015/16 to 1.1 per cent in 2016/17. It is estimated that the cost of borrowing as a percentage of the operating expenditure will reach 1.2 per cent in 2018/19. While borrowing is considered a prudent financial instrument in financing capital infrastructure development, this indicator will have to be carefully monitored going forward as the municipality has reached its prudential borrowing limits.

The municipality's debt profile provides some interesting insights on the municipality's future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2016/17 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

### 2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

### 2.3.1.3 Creditors Management

- The municipality has not managed to ensure that creditors are settled within the legislated 30 days of invoice. While this raises a concern in terms of the liquidity. Notpaying creditors within 30 days and have creditor's outstanding over 90 days is a

sign of weakness in cash flow. However the municipality has daily cash flow management plan which should get the municipality to comply with the 30 days legislation.

### **2.3.2 Free Basic Services: basic social services package for indigent households**

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality.

For the 2015/16 financial year 5000 registered indigents have been provided for in the budget with this figured increasing to 7000 by 2017/18. In terms of the Municipality's indigent policy registered households are entitled to 50 kwh of electricity and free waste removal equivalent to 85¢ once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement)

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

## **2.4 Overview of budget related-policies**

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

### **2.4.1 Review of credit control and debt collection procedures/policies**

The Collection Policy as approved by Council in 2016/17 is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the Integrated Indigent Exit Programme aims to link the registered indigent households to development, skills and job opportunities. The programme also seeks to ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2016/17 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 80 per cent on current billings. In addition the collection of debt in excess of 90

days has been prioritised as a pertinent strategy in increasing the municipality's cash levels. In addition, the potential of a payment incentive scheme is being investigated and if found to be viable will be incorporated into the policy.

#### **2.4.2 Asset Management Policy**

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

#### **2.4.3 Supply Chain Management Policy**

The Supply Chain Management Policy was adopted by Council in 2015/16. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

#### **2.4.4 Budget and Virement Policy**

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. The Budget and Virement Policy was approved by Council in 2015/16.

#### **2.4.5 Cash Management and Investment Policy**

The Municipality's Cash Management and Investment Policy was amended by Council in January 2011. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduces time frames to achieve certain benchmarks.



#### **2.4.6 Tariff Policies**

The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years.

#### **2.4.7 Financial Modelling and Scenario Planning Policy**

The Financial Modelling and Scenario Planning Policy has directly informed the compilation of the 2016/17 MTREF with the emphasis on affordability and long-term sustainability. The policy dictates the approach to longer term financial modelling. The outcomes are then filtered into the budget process. The model and scenario planning outcomes are taken to Council every November and then translate into recommendations for the budget guidelines that inform the compilation of the next MTREF. One of the salient features of the policy is the emphasis on financial sustainability. Amongst others, the following has been modelled as part of the financial modelling and scenario planning process:

- Approved 2015/16 Adjustments Budget;
- Cash Flow Management Interventions, Initiatives and Strategies (including the cash backing of reserves);
- Economic climate and trends (i.e Inflation, household debt levels, indigent factors, growth, recessionary implications);
- Loan and investment possibilities;
- Performance trends;
- Tariff Increases;
- The ability of the community to pay for services (affordability);
- Policy priorities;
- Improved and sustainable service delivery; and
- Debtor payment levels.

All the above policies are available on the uMtshezi municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Basic Social Services Package (Indigent Policy).

### **2.5 Overview of budget assumptions**

#### **2.5.1 General inflation outlook and its impact on the municipal activities**

There are five key factors that have been taken into consideration in the compilation of the 2016/17 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity; and
- The increase in the cost of remuneration. Employee related costs has been increased by 4.4% as per Circular 75, however, we have seen that in the previous financial and current financial year actual employee related costs exceeds the budgeted amount. We therefore, decided to forecast on actual expenditure trend of this line item. The 4.4% increase is based on the forecasted figures and not on the adjustments budget figure.

### **2.5.2 Interest rates for borrowing and investment of funds**

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. Amortisation schedule were obtained from the financial institutions and used to calculate the finance charges the municipality will incur in the 2016/17.

### **2.5.3 Collection rate for revenue services**

With the help from provincial treasury, we have calculated the municipality's collection rate on Rates, Electricity and Refuse. Both the Debtors and Revenue collection rate were calculated. For cash flow purposes, the Revenue collection rate was used because we felt its more accurate reflection of the income that is collected. The Revenue collection rates were as follows:

- Electricity: 98%
- Refuse: 77%
- Property Rates: 71%

### **2.5.4 Salary increases**

- The increase in the cost of remuneration. Employee related costs has been increased by prime plus 1% as per Circular 78.

### **2.5.5 Impact of national, provincial and local policies**

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and

- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

## 2.5.6 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2016/17 MTREF of which performance has been factored into the cash flow budget.

## 2.6 Overview of budget funding

### 2.6.1 Medium-term outlook: operating revenue

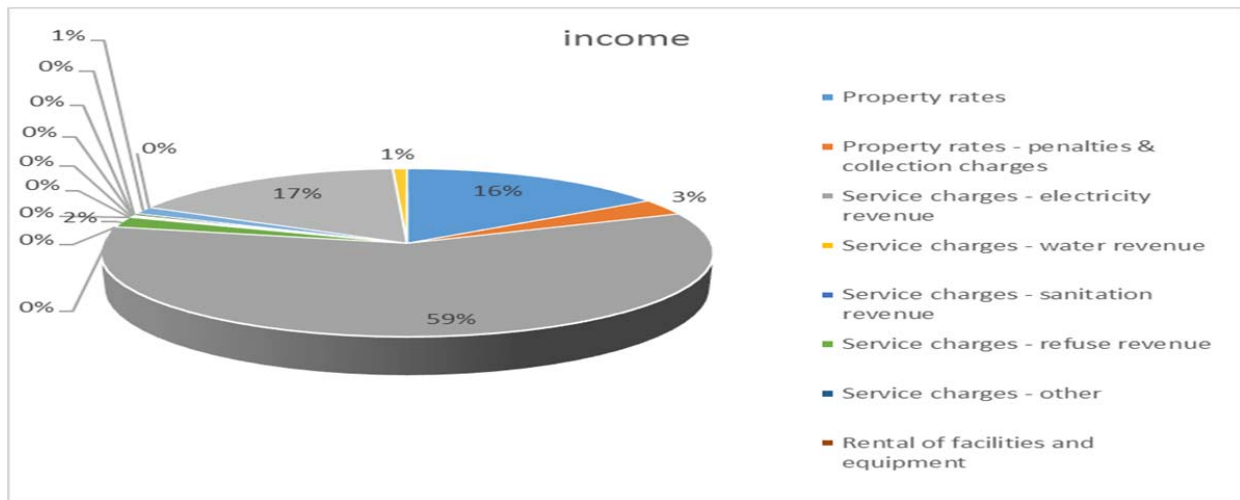
The following table is a breakdown of the operating revenue over the medium-term:

**Table 20 Breakdown of the operating revenue over the medium-term**

Description	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework				
R thousand	Adjusted Budget		Budget Year 2016/17		Budget Year +1 2017/18		Budget Year +2 2018/19
<b>Revenue By Source</b>							
Property rates	57,798	-1%	57,506	6%	60,957	6%	64,614
Property rates - penalties & collection charges	10,657	6%	11,296	6%	11,974	6%	12,693
Service charges - electricity revenue	196,549	9%	215,025	6%	227,926	6%	241,602
Service charges - refuse revenue	7,117	5%	7,467	6%	7,915	6%	8,390
Rental of facilities and equipment	200	215%	630	6%	668	6%	708
Interest earned - external investments	1,000	-71%	295	6%	313	6%	331
Interest earned - outstanding debtors	1,007	-30%	700	6%	742	6%	786
Fines	87	1462%	1,360	6%	1,442	6%	1,528
Licences and permits	6,257	-19%	5,080	6%	5,385	6%	5,708
Transfers recognised - operational	57,795	5%	60,403	-7%	56,423	6%	59,808
Other revenue	7,778	-61%	3,037	6%	3,220	6%	3,413
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>346,245</b>		<b>362,800</b>		<b>376,963</b>		<b>399,581</b>

The following graph is a breakdown of the operational revenue per main category for the 2016/17 financial year.

**Figure 4 Breakdown of operating revenue over the 2016/17 MTREF**



Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, electricity, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the city and economic development;
- Revenue management and enhancement;
- Achievement of average 80 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;
- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

**Table 21 MBRR SA15 – Detail Investment Information**

Investment type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
Parent municipality	1									
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank			31,648	5,820	4,073	6,173	6,173	3,939	4,176	4,427
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Municipal Bonds										
Municipality sub-total		-	31,648	5,820	4,073	6,173	6,173	3,939	4,176	4,427
Entities										
Securities - National Government										
Listed Corporate Bonds										
Deposits - Bank										
Deposits - Public Investment Commissioners										
Deposits - Corporation for Public Deposits										
Bankers Acceptance Certificates										
Negotiable Certificates of Deposit - Banks										
Guaranteed Endowment Policies (sinking)										
Repurchase Agreements - Banks										
Entities sub-total		-	-	-	-	-	-	-	-	-
Consolidated total:		-	31,648	5,820	4,073	6,173	6,173	3,939	4,176	4,427

**Table 22 MBRR SA16 – Investment particulars by maturity**

Investments by Maturity	Ref	Period of Investment	Type of Investment	Capital Guarantee (Yes/No)	Variable or Fixed Interest rate	Interest Rate %	Commission Paid (Rands)	Commission Recipient	Expiry date of investment	Opening balance	Interest to be realised	Partial / Premature Withdrawal (4)	Investment Top Up	Closing Balance
Name of institution & investment ID	1	Yrs/Months												
<b>Parent municipality</b>														
ABSA		Month to Month	Call Account	NO	Variable	9%	NONE	NONE	30 June 2017	1	-			1
FNB		Month to Month	Call Account	NO	Variable	6.36%	NONE	NONE	30 June 2017	262	-			262
FNB, STANDARD, NEDBANK		3 YEARS	FIXED DEPOSIT	NO	Variable	7.90%	NONE	NONE	30 June 2017	87	-			87
LAND SALES		Month to Month	Call Account	NO	Variable	9%	NONE	NONE	30 June 2017	357	-		1,095	1,452
FNBMSIG, NDCG, MCG, STR		Month to Month	Call Account	NO	Variable	9%	NONE	NONE	30 June 2017	-	295	(24,941)	24,234	(412)
FNB		Month to Month	Call Account	NO	Variable	9%	NONE	NONE	30 June 2017	-	-	(3,013)	1,625	(1,388)
<b>Municipality sub-total</b>										707		(27,956)	26,954	(6)
<b>Entities</b>														
														-
														-
														-
														-
<b>Entities sub-total</b>										-		-	-	-
<b>TOTAL INVESTMENTS AND INTEREST</b>	1									707		(27,956)	26,954	(6)

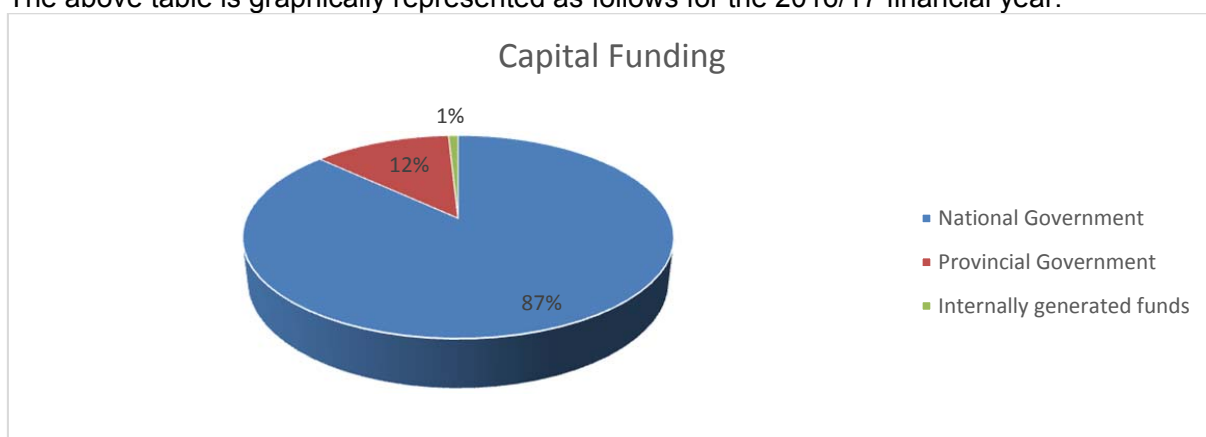
## 2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2016/17 medium-term capital programme:

**Table 23 Sources of capital revenue over the MTREF**

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Funded by:</b>											
National Government		10,209	10,390	44,290	33,055	33,055	33,055	33,055	21,234	-	-
Provincial Government		9,875				2,317	2,317	2,317	3,000		
District Municipality											
Other transfers and grants											
Transfers recognised - capital	4	20,084	10,390	44,290	33,055	35,372	35,372	35,372	24,234	-	-
Public contributions & donations	5										
Borrowing	6	7,200	11,539								
Internally generated funds		2,591	4,050	17,801	1,880	11,238	11,238	11,238	210		
<b>Total Capital Funding</b>	<b>7</b>	<b>29,875</b>	<b>25,979</b>	<b>62,091</b>	<b>34,935</b>	<b>46,610</b>	<b>46,610</b>	<b>46,610</b>	<b>24,444</b>	<b>-</b>	<b>-</b>

The above table is graphically represented as follows for the 2016/17 financial year.



**Figure 5 Sources of capital revenue for the 2016/17 financial year**

Capital grants and receipts equates to 99 per cent of the total funding source which represents R24.4 million for the 2016/17 financial year.

**Table 24 MBRR Table SA 17 - Detail of borrowings**

Borrowing - Categorised by type	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Parent municipality</b>										
Long-Term Loans (annuity/reducing balance)										
Long-Term Loans (non-annuity)		9,974	12,400	9,884	14,491	14,491	14,491	9,519	10,090	10,695
Local registered stock										
Instalment Credit										
Financial Leases										
PPP liabilities										
Finance Granted By Cap Equipment Supplier										
Marketable Bonds										
Non-Marketable Bonds										
Bankers Acceptances										
Financial derivatives										
Other Securities										
<b>Municipality sub-total</b>	<b>1</b>	<b>9,974</b>	<b>12,400</b>	<b>9,884</b>	<b>14,491</b>	<b>14,491</b>	<b>14,491</b>	<b>9,519</b>	<b>10,090</b>	<b>10,695</b>

**Table 25 MBRR Table SA 18 - Capital transfers and grant receipts**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital Transfers and Grants</b>										
National Government:		23,862	-	-	32,955	-	-	21,234	-	-
Municipal Infrastructure Grant (MIG)		12,749			17,955			16,688		
Neighbourhood Development Partnership		11,113			-					
INEP					15,000			4,545		
Provincial Government:		-	-	-	-	2,000	-	3,000	-	-
Small Town Rehabilitation Grant					-	2,000		3,000		
<b>Total Capital Transfers and Grants</b>	5	23,862	-	-	32,955	2,000	-	24,234	-	-
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>		57,487	37,686	46,667	89,350	2,000	-	84,637	-	-

### 2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

**Table 26 MBRR Table A7 - Budget cash flow statement**

Description	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
<b>Receipts</b>										
Property rates, penalties & collection charges	212,917	50,150	52,165	56,133	50,102	50,102	50,102	54,884	58,177	61,668
Service charges		175,220	178,836	196,285	201,897	201,897	201,897	216,474	229,463	243,230
Other revenue		8,629	9,486	14,473	14,040	14,040	14,040	9,540	10,112	10,719
Government - operating	34,159	39,536	45,177	58,152	57,795	57,795	57,795	60,403	64,027	67,869
Government - capital	35,030	34,497	34,671	33,055	35,055	35,055	35,055	24,234	25,688	27,229
Interest	2,261	2,443	2,573	3,494	1,000	1,000	1,000	295	313	331
Dividends								-	-	-
<b>Payments</b>										
Suppliers and employees	(246,735)	(276,167)	(269,684)	(321,305)	(328,795)	(328,795)	(328,795)	(319,422)	(338,587)	(358,903)
Finance charges	(814)	(1,660)	(2,885)	(6,392)	(6,392)	(6,392)	(6,392)	(4,679)	(4,960)	(5,258)
Transfers and Grants								-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>36,818</b>	<b>32,647</b>	<b>50,339</b>	<b>33,894</b>	<b>24,702</b>	<b>24,702</b>	<b>24,702</b>	<b>41,729</b>	<b>44,233</b>	<b>46,887</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>										
<b>Receipts</b>										
Proceeds on disposal of PPE	1,072	(3,635)	25,863					-	-	-
Decrease (Increase) in non-current debtors	352							-	-	-
Decrease (Increase) other non-current receivables	(310)			584		-	-	-	-	-
Decrease (Increase) in non-current investments	(5,162)							94	100	106
<b>Payments</b>										
Capital assets	(29,875)	(45,713)	(77,717)	(29,644)	(46,610)	(46,610)	(46,610)	(24,444)	(25,911)	(27,465)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(33,924)</b>	<b>(49,348)</b>	<b>(51,854)</b>	<b>(29,060)</b>	<b>(46,610)</b>	<b>(46,610)</b>	<b>(46,610)</b>	<b>(24,350)</b>	<b>(25,811)</b>	<b>(27,360)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>										
<b>Receipts</b>										
Short term loans	(864)	47	38					-	-	-
Borrowing long term/refinancing	(1,873)	9,746	2,603					-	-	-
Increase (decrease) in consumer deposits		734		5		-	-	68	72	76
<b>Payments</b>										
Repayment of borrowing			(6,173)	(6,072)	(1,433)	(1,433)	(1,433)	(5,777)	(6,124)	(6,491)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(2,737)</b>	<b>10,526</b>	<b>(3,532)</b>	<b>(6,067)</b>	<b>(1,433)</b>	<b>(1,433)</b>	<b>(1,433)</b>	<b>(5,709)</b>	<b>(6,052)</b>	<b>(6,415)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>157</b>	<b>(6,175)</b>	<b>(5,047)</b>	<b>(1,232)</b>	<b>(23,341)</b>	<b>(23,341)</b>	<b>(23,341)</b>	<b>11,670</b>	<b>12,371</b>	<b>13,113</b>
Cash/cash equivalents at the year begin:	13,523	13,523	7,349	9,000	2,300	2,300	2,300	(21,041)	(9,371)	3,000
Cash/cash equivalents at the year end:	13,680	7,349	2,302	7,768	(21,041)	(21,041)	(21,041)	(9,371)	3,000	16,113

The above table shows that cash and cash equivalents of the municipality have steadily decreased overtime.

### Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:



- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

## 2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

**Table 27 MBRR SA10 – Funding compliance measurement**

Description	MFMA section	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Funding measures												
Cash/cash equivalents at the year end - R'000	18(1)b	1	13,680	7,349	2,302	7,768	(21,041)	(21,041)	(21,041)	(9,371)	3,000	16,113
Cash + investments at the yr end less applications - R'000	18(1)b	2	49,255	74,245	57,666	36,201	60,625	65,817	65,817	9,275	61,884	65,596
Cash year end/monthly employee/supplier payments	18(1)b	3	0.7	0.4	0.1	0.3	(0.8)	(0.9)	(0.9)	(0.4)	0.1	0.6
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	4	(5,584)	1,815	1,683	(11,567)	(19,770)	(19,406)	(19,405)	(760)	(1,232)	(1,306)
Service charge rev % change - macro CPI target exclusive	18(1)a,(2)	5	N.A.	11.1%	(2.5%)	1.9%	(5.5%)	(10.5%)	(6.0%)	1.0%	0.0%	0.0%
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	6	98.0%	93.2%	91.8%	92.9%	92.6%	98.9%	98.9%	93.0%	93.0%	93.0%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	7	3.1%	6.0%	6.7%	4.8%	4.7%	5.0%	5.0%	3.1%	3.1%	3.1%
Capital payments % of capital expenditure	18(1)c,19	8	100.0%	176.0%	125.2%	84.9%	100.0%	100.0%	100.0%	100.0%	75.4%	80.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9	(19.1%)	62.5%	14.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. legislated/gazetted allocations	18(1)a	10								0.0%	0.0%	0.0%
Current consumer debtors % change - incr(decr)	18(1)a	11	N.A.	77.6%	4.6%	(47.1%)	46.0%	0.0%	0.0%	(18.7%)	79.3%	6.0%
Long term receivables % change - incr(decr)	18(1)a	12	N.A.	(100.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	13	4.9%	1.6%	2.0%	2.2%	2.2%	2.2%	1.3%	1.3%	0.0%	0.0%
Asset renewal % of capital budget	20(1)(vi)	14	0.0%	0.0%	16.1%	42.9%	32.2%	32.2%	0.0%	18.6%	0.0%	0.0%

### 2.6.4.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short

term debt at the end of the financial year. The forecasted cash and cash equivalents for the 2016/17 MTREF shows a deficit of R9.3 Million, a surplus of 3 million in 2017/18 and a surplus of 16.1 million in 18/19

#### *2.6.4.2 Cash plus investments less application of funds*

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

#### *2.6.4.3 Cash receipts as a percentage of ratepayer and other revenue*

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 79 percent for each of the respective financial years. Given that the assumed collection rate was based on a 97 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

#### *2.6.4.4 Capital payments percentage of capital expenditure*

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

#### *2.6.4.5 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)*

The municipality is not planning to obtain any borrowing to finance capital in 2016/17.

#### *2.6.4.6 Transfers/grants revenue as a percentage of Government transfers/grants available*

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The City has budgeted for all transfers.

#### *2.6.4.7 Consumer debtors change (Current and Non-current)*

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

#### *2.6.4.8 Repairs and maintenance expenditure level*

In terms of National Treasury's requirements, the renewal expenditure must be 40% and repairs and maintenance expenditure must be at least 8%. Due to cash flow problems, the municipality cannot afford to meet the standard required by National Treasury at the moment.

#### *2.6.4.9 Asset renewal/rehabilitation expenditure level*

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b.

## 2.7 Expenditure on grants and reconciliations of unspent funds

**Table 28 MBRR SA19 - Expenditure on transfers and grant programmes**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 medium-term revenue & expenditure framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand										
EXPENDITURE:	1									
<u>Operating expenditure of Transfers and Grants</u>										
National Government:		31,944	36,634	-	55,475	-	-	57,666	-	-
Local Government Equitable Share		29,644	33,196		50,138			50,195		
Municipal Systems Improvement		800	888		930			-		
Finance Management		1,500	1,550		1,500			1,624		
EPWP Incentive			1,000		1,050			994		
Municipal Demarcation Transitional Grant					1,857			4,853		
Provincial Government:		1,681	1,466	-	2,677	-	-	2,737	-	-
Health subsidy		1,413	-					-		
Sport and Recreation			1,466					-		
								-		
								-		
Museum Grant, Library Service and Provincialisation Grant		268			2,677			2,737		
District Municipality:		-	-	-	-	-	-	-	-	-
<i>[Insert description]</i>										
Other grant providers:		-	-	-	-	-	-	-	-	-
<i>[Insert description]</i>										
Total operating expenditure of Transfers and Grants:		33,625	38,100	-	58,152	-	-	60,403	-	-
<u>Capital expenditure of Transfers and Grants</u>										
National Government:		23,862	28,937	-	33,055	-	-	21,234	-	-
Municipal Infrastructure Grant (MIG)		12,749	10,942		17,955			16,688		
Neighbourhood Development Partnership		11,113	7,440		-			-		
INEP		-	10,556		15,100			4,545		
Provincial Government:		-	-	-	-	2,000	-	3,000	-	-
Small Town Rehabilitation Grant						2,000		3,000		
District Municipality:		-	-	-	-	-	-	-	-	-
Total capital expenditure of Transfers and Grants		23,862	28,937	-	33,055	2,000	-	24,234	-	-
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS		57,487	67,037	-	91,207	2,000	-	84,637	-	-

**Table 29 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Operating transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		33,627	40,546	45,177	55,475	55,118	55,118	57,666	56,423	59,808
<b>Conditions met - transferred to revenue</b>		<b>33,627</b>	<b>40,546</b>	<b>45,177</b>	<b>55,475</b>	<b>55,118</b>	<b>55,118</b>	<b>57,666</b>	<b>56,423</b>	<b>59,808</b>
Conditions still to be met - transferred to liabilities										
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		2,575			2,677	2,677	2,677	2,737		
<b>Conditions met - transferred to revenue</b>		<b>2,575</b>	<b>-</b>	<b>-</b>	<b>2,677</b>	<b>2,677</b>	<b>2,677</b>	<b>2,737</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Total operating transfers and grants revenue</b>		<b>36,202</b>	<b>40,546</b>	<b>45,177</b>	<b>58,152</b>	<b>57,795</b>	<b>57,795</b>	<b>60,403</b>	<b>56,423</b>	<b>59,808</b>
<b>Total operating transfers and grants - CTBM</b>	2	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital transfers and grants:</b>	1,3									
<b>National Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		23,862	10,390	58,064	33,055	33,372	33,372	21,234	34,352	34,352
<b>Conditions met - transferred to revenue</b>		<b>13,862</b>	<b>10,390</b>	<b>58,064</b>	<b>33,055</b>	<b>33,372</b>	<b>33,372</b>	<b>21,234</b>	<b>34,352</b>	<b>34,352</b>
Conditions still to be met - transferred to liabilities		10,000								
<b>Provincial Government:</b>										
Balance unspent at beginning of the year										
Current year receipts		9,875				2,000	2,000	3,000		
<b>Conditions met - transferred to revenue</b>		<b>9,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>2,000</b>	<b>3,000</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>District Municipality:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Other grant providers:</b>										
Balance unspent at beginning of the year										
Current year receipts										
<b>Conditions met - transferred to revenue</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Conditions still to be met - transferred to liabilities										
<b>Total capital transfers and grants revenue</b>		<b>23,737</b>	<b>10,390</b>	<b>58,064</b>	<b>33,055</b>	<b>35,372</b>	<b>35,372</b>	<b>24,234</b>	<b>34,352</b>	<b>34,352</b>
<b>Total capital transfers and grants - CTBM</b>	2	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRANSFERS AND GRANTS REVENUE</b>		<b>59,939</b>	<b>50,936</b>	<b>103,241</b>	<b>91,207</b>	<b>93,167</b>	<b>93,167</b>	<b>84,637</b>	<b>90,775</b>	<b>94,160</b>
<b>TOTAL TRANSFERS AND GRANTS - CTBM</b>		<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2.8 Councillor and employee benefit

**Table 30 MBRR SA22 - Summary of councillor and staff benefits**

Summary of Employee and Councillor remuneration	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	1	A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>										
Basic Salaries and Wages		2,853	5,036	5,502	3,195	3,195	3,195	3,355	3,590	3,841
Pension and UIF Contributions		414			455	455	455	478	512	547
Medical Aid Contributions					18	18	18	19	20	22
Motor Vehicle Allowance		1,104			1,223	1,223	1,223	1,284	1,374	1,470
Cellphone Allowance		230			370	370	370	389	416	445
Housing Allowances										
Other benefits and allowances					64	64	64	67	72	77
<b>Sub Total - Councillors</b>		<b>4,601</b>	<b>5,036</b>	<b>5,502</b>	<b>5,326</b>	<b>5,326</b>	<b>5,326</b>	<b>5,592</b>	<b>5,984</b>	<b>6,402</b>
% increase	4		9.5%	9.2%	(3.2%)	-	-	5.0%	7.0%	7.0%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages		3,301	2,843	3,335	2,999	2,999	2,999	3,209	3,434	3,674
Pension and UIF Contributions			8	7	46	46	46	49	53	57
Medical Aid Contributions								-	-	-
Overtime								-	-	-
Performance Bonus		388	42	43	360	360	360	385	412	441
Motor Vehicle Allowance	3	194	470	501	551	551	551	590	631	675
Cellphone Allowance	3		53	57				-		
Housing Allowances	3		96	87						
Other benefits and allowances	3		41	9						
Payments in lieu of leave			67	28						
Long service awards										
Post-retirement benefit obligations	6									
<b>Sub Total - Senior Managers of Municipality</b>		<b>3,884</b>	<b>3,620</b>	<b>4,066</b>	<b>3,957</b>	<b>3,957</b>	<b>3,957</b>	<b>4,234</b>	<b>4,530</b>	<b>4,847</b>
% increase	4		(6.8%)	12.3%	(2.7%)	-	-	7.0%	7.0%	7.0%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages		38,424	42,390	48,365	50,185	50,185	50,185	53,698	57,457	61,479
Pension and UIF Contributions		5,822	8,006	7,801	8,121	8,121	8,121	8,690	9,298	9,949
Medical Aid Contributions		2,329	3,510	3,910	3,960	3,960	3,960	4,237	4,533	4,851
Overtime		1,747	2,883	3,519	3,262	3,262	3,262	3,490	3,735	3,996
Performance Bonus		3,493	3,989	4,106	3,944	3,944	3,944	4,220	4,515	4,831
Motor Vehicle Allowance	3	1,164	1,661	1,200	1,193	1,193	1,193	1,277	1,366	1,462
Cellphone Allowance	3	-						-	-	-
Housing Allowances	3	582	127	209	318	318	318	341	364	390
Other benefits and allowances	3	4,657	5,321	3,530	1,560	1,560	1,560	1,670	1,786	1,912
Payments in lieu of leave			212	215	3,239	3,239	3,239	3,465	3,708	3,968
Long service awards			4,224					-		
Post-retirement benefit obligations	6							-		
<b>Sub Total - Other Municipal Staff</b>		<b>58,218</b>	<b>72,324</b>	<b>72,855</b>	<b>75,782</b>	<b>75,782</b>	<b>75,782</b>	<b>81,087</b>	<b>86,763</b>	<b>92,836</b>
% increase	4		24.2%	0.7%	4.0%	-	-	7.0%	7.0%	7.0%
<b>Total Parent Municipality</b>		<b>66,703</b>	<b>80,979</b>	<b>82,423</b>	<b>85,065</b>	<b>85,065</b>	<b>85,065</b>	<b>90,913</b>	<b>97,277</b>	<b>104,086</b>
			21.4%	1.8%	3.2%	-	-	6.9%	7.0%	7.0%
<b>Total Municipal Entities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL SALARY, ALLOWANCES &amp; BENEFITS</b>		<b>66,703</b>	<b>80,979</b>	<b>82,423</b>	<b>85,065</b>	<b>85,065</b>	<b>85,065</b>	<b>90,913</b>	<b>97,277</b>	<b>104,086</b>
% increase	4		21.4%	1.8%	3.2%	-	-	6.9%	7.0%	7.0%
<b>TOTAL MANAGERS AND STAFF</b>	5,7	<b>62,101</b>	<b>75,943</b>	<b>76,921</b>	<b>79,739</b>	<b>79,739</b>	<b>79,739</b>	<b>85,320</b>	<b>91,293</b>	<b>97,683</b>

**Table 31 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)**

Disclosure of Salaries, Allowances & Benefits 1.	Ref	No.	Salary	Contributions	Allowances	Performance Bonuses	In-kind benefits	Total Package
Rand per annum				1.				2.
<b>Councillors</b>	3							
Speaker	4	1	395,054	64,261	178,770			638,085
Chief Whip		1						-
Executive Mayor		1	493,816	81,728	216,629			792,172
Deputy Executive Mayor		1	378,269	81,084	178,770			638,122
Executive Committee		1	203,699	33,200	105,417			342,317
Total for all other councillors		14	1,903,109	292,492	1,093,583			3,289,184
<b>Total Councillors</b>	<b>8</b>	<b>19</b>	<b>3,373,946</b>	<b>552,764</b>	<b>1,773,170</b>			<b>5,699,880</b>
<b>Senior Managers of the Municipality</b>	<b>5</b>							
Municipal Manager (MM)		1	1,025,449	13,275	114,500	101,771		1,254,996
Chief Finance Officer		1	617,490	11,040	243,764	85,465		957,759
Director: Corporate Services		1	861,215	11,469	114,500	85,503		1,072,688
Director: PECS		1	484,816	15,879	372,067	85,507		958,269
Director: Civil Services		1	-	-	-			-
<b>Total Senior Managers of the Municipality</b>	<b>8,10</b>	<b>5</b>	<b>2,988,970</b>	<b>51,664</b>	<b>844,831</b>	<b>358,246</b>		<b>4,243,711</b>
<b>TOTAL COST OF COUNCILLOR, DIRECTOR and EXECUTIVE REMUNERATION</b>	<b>10</b>	<b>24</b>	<b>6,362,916</b>	<b>604,428</b>	<b>2,618,001</b>	<b>358,246</b>		<b>9,943,591</b>

**Table 32 MBRR SA24 – Summary of personnel numbers**

Summary of Personnel Numbers	Ref	2014/15			Current Year 2015/16			Budget Year 2016/17		
		Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
<b>Municipal Council and Boards of Municipal Entities</b>										
Councillors (Political Office Bearers plus Other Councillors)	4	17	3	14	17	3	14	17	3	14
Board Members of municipal entities	5									
<b>Municipal employees</b>	3									
Municipal Manager and Senior Managers	7	5		4	5		4	5		
Other Managers		15	15		15	15		15		
Professionals		92	92	10	92	92	10	92	92	10
<i>Finance</i>		31	31		31	31		31	31	
<i>Spatial/town planning</i>										
<i>Information Technology</i>		2	2		2	2		2	2	
<i>Roads</i>		12	12		12	12		12	12	
<i>Electricity</i>		12	12		12	12		12	12	
<i>Water</i>										
<i>Sanitation</i>										
<i>Refuse</i>		5	5		5	5		5	5	
<i>Other</i>		30	30	10	30	30	10	30	30	10
Technicians		29	29	–	29	29	–	29	29	–
<i>Finance</i>										
<i>Spatial/town planning</i>		2	2	–	2	2	–	2	2	–
<i>Information Technology</i>		2	2	–	2	2	–	2	2	–
<i>Roads</i>		10	10	–	10	10	–	10	10	–
<i>Electricity</i>		15	15	–	15	15	–	15	15	–
<i>Water</i>										
<i>Sanitation</i>										
<i>Refuse</i>										
<i>Other</i>										
Clerks (Clerical and administrative)		40	40		40	40		40	40	
Service and sales workers										
Skilled agricultural and fishery workers										
Craft and related trades										
Plant and Machine Operators		33	33		33	33		33	33	
Elementary Occupations		223	178	45	223	178	45	223	178	45
<b>TOTAL PERSONNEL NUMBERS</b>	9	454	390	73	454	390	73	454	375	69
% increase					–	–	–	–	(3.8%)	(5.5%)
<b>Total municipal employees headcount</b>	6, 10									
Finance personnel headcount	8, 10									
Human Resources personnel headcount	8, 10									

## 2.9 Monthly targets for revenue, expenditure and cash flow



**Table 33 MBRR SA25 - Budgeted monthly revenue and expenditure**

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
R thousand		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Revenue By Source</b>																
Property rates		4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,792	4,793	57,506	60,957	64,614
Property rates - penalties & collection charges		941	941	941	941	941	941	941	941	941	941	941	945	11,296	11,974	12,693
Service charges - electricity revenue		17,919	17,919	17,919	17,919	17,919	17,919	17,919	17,919	17,919	17,919	17,919	17,916	215,025	227,926	241,602
Service charges - water revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue		622	622	622	622	622	622	622	622	622	622	622	625	7,467	7,915	8,390
Service charges - other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment		52	52	52	52	52	52	52	52	52	52	52	57	630	668	708
Interest earned - external investments		25	25	25	25	25	25	25	25	25	25	25	20	295	313	331
Interest earned - outstanding debtors		58	58	58	58	58	58	58	58	58	58	58	62	700	742	786
Dividends received		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines		113	6	6	6	6	6	6	6	6	6	6	1,187	1,360	1,442	1,528
Licences and permits		423	423	423	423	423	423	423	423	423	423	423	427	5,080	5,385	5,708
Agency services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		5,034	4,881	4,881	4,881	4,881	4,881	4,881	4,881	4,881	4,881	4,881	6,559	60,403	56,423	59,808
Other revenue		253	253	253	253	253	253	253	253	253	253	253	254	3,037	3,220	3,413
Gains on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>30,233</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>29,972</b>	<b>32,845</b>	<b>362,800</b>	<b>376,963</b>	<b>399,581</b>
<b>Expenditure By Type</b>																
Employee related costs		7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,092	85,159	90,269	95,685
Remuneration of councillors		466	475	475	475	475	475	475	475	475	475	475	376	5,592	5,928	6,283
Debt impairment		753	753	753	753	753	753	753	753	753	753	753	752	9,035	9,577	10,152
Depreciation & asset impairment		4,555	4,555	4,555	4,555	4,555	4,555	4,555	4,555	4,555	4,555	4,555	4,552	54,656	57,936	61,412
Finance charges		390	390	390	390	390	390	390	390	390	390	390	389	4,679	4,960	5,258
Bulk purchases		14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,681	176,205	186,777	197,984
Other materials		704	704	704	704	704	704	704	704	704	704	704	708	8,452	8,960	9,497
Contracted services		961	961	961	961	961	961	961	961	961	961	961	960	11,531	12,222	12,955
Transfers and grants		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure		2,707	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	1,536	32,483	35,919	38,074
Loss on disposal of PPE		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		<b>32,316</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>32,443</b>	<b>31,047</b>	<b>387,793</b>	<b>412,547</b>	<b>437,300</b>
<b>Surplus/(Deficit)</b>		<b>(2,083)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>(2,471)</b>	<b>1,798</b>	<b>(24,994)</b>	<b>(35,584)</b>	<b>(37,719)</b>
Transfers recognised - capital		2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,019	24,234	34,352	36,413
Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(63)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>3,817</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>
Taxation		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Attributable to minorities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>(63)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>(451)</b>	<b>3,817</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>

**Table 34 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)**

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>																
<b>Revenue by Vote</b>																
Vote 1 - CORPORATE SERVICES		1,111	1,062	1,062	1,062	1,062	1,062	1,062	1,062	1,062	1,062	1,062	1,604	13,335	14,135	14,983
Vote 2 - MUNICIPAL MANAGER		-											-	-	-	-
Vote 3 - FINANCE DEPARTMENT		10,582	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	5,600	126,982	135,661	143,800
Vote 4 - CIVIL SERVICES		1,463	1,463	1,463	1,463	1,463	1,463	1,463	1,463	1,463	1,463	1,463	1,465	17,558	18,612	19,728
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		642	642	642	642	642	642	642	642	642	642	642	644	7,707	8,169	8,659
Vote 6 - ELECTRICAL DEPARTMENT		18,454	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	9,157	221,452	234,739	248,823
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Total Revenue by Vote</b>		<b>32,253</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>33,631</b>	<b>18,471</b>	<b>387,034</b>	<b>411,315</b>	<b>435,994</b>
<b>Expenditure by Vote to be appropriated</b>																
Vote 1 - CORPORATE SERVICES		4,045	4,053	4,053	4,053	4,053	4,053	4,053	4,053	4,053	4,053	4,053	3,960	48,534	51,447	54,533
Vote 2 - MUNICIPAL MANAGER		114	114	114	114	114	114	114	114	114	114	114	113	1,367	1,449	1,536
Vote 3 - FINANCE DEPARTMENT		3,552	3,552	3,552	3,552	3,552	3,552	3,552	3,552	3,552	3,552	3,552	3,555	42,628	46,672	49,472
Vote 4 - CIVIL SERVICES		2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,630	2,633	31,563	33,457	35,464
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		4,573	4,598	4,598	4,598	4,598	4,598	4,598	4,598	4,598	4,598	4,598	4,323	54,876	58,169	61,659
Vote 6 - ELECTRICAL DEPARTMENT		17,402	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,173	208,825	221,354	234,636
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Total Expenditure by Vote</b>		<b>32,316</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>32,372</b>	<b>31,757</b>	<b>387,793</b>	<b>412,547</b>	<b>437,300</b>
<b>Surplus/(Deficit) before assoc.</b>		<b>(63)</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>(13,286)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>
Taxation													-	-	-	-
Attributable to minorities													-	-	-	-
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	<b>1</b>	<b>(63)</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>1,259</b>	<b>(13,286)</b>	<b>(760)</b>	<b>(1,232)</b>	<b>(1,306)</b>

**Table 35 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)**

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>																
<b>Revenue - Standard</b>																
<i>Governance and administration</i>		10,905	11,403	11,403	11,403	11,403	11,403	11,403	11,403	11,403	11,403	11,403	5,923	130,858	139,771	148,157
Executive and council		313	313	313	313	313	313	313	313	313	313	313	313	3,756	3,981	4,220
Budget and treasury office		10,582	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	11,080	5,600	126,982	135,662	143,802
Corporate services		10	10	10	10	10	10	10	10	10	10	10	10	120	127	135
<i>Community and public safety</i>		361	254	254	254	254	254	254	254	254	254	254	1,433	4,334	4,593	4,868
Community and social services		248	248	248	248	248	248	248	248	248	248	248	245	2,973	3,151	3,340
Sport and recreation		0											1	1	-	-
Public safety		113	6	6	6	6	6	6	6	6	6	6	1,187	1,360	1,442	1,528
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		1,909	2,062	2,062	2,062	2,062	2,062	2,062	2,062	2,062	2,062	2,062	384	22,914	24,289	25,746
Planning and development		12	12	12	12	12	12	12	12	12	12	12	9	141	150	159
Road transport		1,898	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	2,050	375	22,773	24,139	25,588
Environmental protection													-	-	-	-
<i>Trading services</i>		19,077	20,007	20,007	20,007	20,007	20,007	20,007	20,007	20,007	20,007	20,007	9,780	228,927	242,663	257,223
Electricity		18,454	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	19,384	9,157	221,452	234,739	248,823
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management		623	623	623	623	623	623	623	623	623	623	623	623	7,476	7,924	8,399
<i>Other</i>													-	-	-	-
<b>Total Revenue - Standard</b>		32,253	33,726	33,726	33,726	33,726	33,726	33,726	33,726	33,726	33,726	33,726	17,521	387,034	411,315	435,994
<b>Expenditure - Standard</b>																
<i>Governance and administration</i>		6,502	6,480	6,480	6,480	6,480	6,480	6,480	6,480	6,480	6,480	6,480	6,725	78,027	84,232	89,286
Executive and council		1,765	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,774	1,680	21,186	22,457	23,804
Budget and treasury office		3,552	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,522	3,855	42,628	46,709	49,512
Corporate services		1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,184	1,189	14,213	15,066	15,970
<i>Community and public safety</i>		1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,373	1,371	16,474	17,425	18,470
Community and social services		517	517	517	517	517	517	517	517	517	517	517	513	6,200	6,572	6,966
Sport and recreation		3	3	3	3	3	3	3	3	3	3	3	2	35	-	-
Public safety		853	853	853	853	853	853	853	853	853	853	853	856	10,239	10,853	11,504
Housing													-	-	-	-
Health													-	-	-	-
<i>Economic and environmental services</i>		6,443	6,469	6,469	6,469	6,469	6,469	6,469	6,469	6,469	6,469	6,469	6,188	77,321	81,960	86,878
Planning and development		1,040	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	1,057	869	12,479	13,228	14,022
Road transport		5,403	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,412	5,318	64,842	68,732	72,856
Environmental protection													-	-	-	-
<i>Trading services</i>		17,962	17,985	17,985	17,985	17,985	17,985	17,985	17,985	17,985	17,985	17,985	17,736	215,548	228,481	242,190
Electricity		17,402	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,425	17,173	208,825	221,354	234,636
Water													-	-	-	-
Waste water management													-	-	-	-
Waste management		560	560	560	560	560	560	560	560	560	560	560	563	6,723	7,127	7,554
<i>Other</i>		35	35	35	35	35	35	35	35	35	35	35	38	423	448	475
<b>Total Expenditure - Standard</b>		32,316	32,342	32,342	32,342	32,342	32,342	32,342	32,342	32,342	32,342	32,342	32,057	387,793	412,547	437,300
<b>Surplus/(Deficit) before assoc.</b>		(63)	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	(14,536)	(760)	(1,232)	(1,306)
Share of surplus/ (deficit) of associate													-	-	-	-
<b>Surplus/(Deficit)</b>	1	(63)	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	1,384	(14,536)	(760)	(1,232)	(1,306)

**Table 36 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)**

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Multi-year expenditure to be appropriated</b>	1															
Vote 1 - CORPORATE SERVICES													-	-	-	-
Vote 2 - MUNICIPAL MANAGER													-	-	-	-
Vote 3 - FINANCE DEPARTMENT													-	-	-	-
Vote 4 - CIVIL SERVICES													-	-	-	-
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES													-	-	-	-
Vote 6 - ELECTRICAL DEPARTMENT													-	-	-	-
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>																
Vote 1 - CORPORATE SERVICES		60											-	60	-	-
Vote 2 - MUNICIPAL MANAGER		30											-	30	-	-
Vote 3 - FINANCE DEPARTMENT		30											-	30	-	-
Vote 4 - CIVIL SERVICES		1,393	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	(125)	16,718	19,352	19,352
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SERVICES		253	253	253	253	253	253	253	253	253	253	253	248	3,030	-	-
Vote 6 - ELECTRICAL DEPARTMENT		381	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	1,311	(8,916)	4,575	15,000	15,000
Vote 7 - [NAME OF VOTE 7]													-	-	-	-
Vote 8 - [NAME OF VOTE 8]													-	-	-	-
Vote 9 - [NAME OF VOTE 9]													-	-	-	-
Vote 10 - [NAME OF VOTE 10]													-	-	-	-
Vote 11 - [NAME OF VOTE 11]													-	-	-	-
Vote 12 - [NAME OF VOTE 12]													-	-	-	-
Vote 13 - [NAME OF VOTE 13]													-	-	-	-
Vote 14 - [NAME OF VOTE 14]													-	-	-	-
Vote 15 - [NAME OF VOTE 15]													-	-	-	-
<b>Capital single-year expenditure sub-total</b>	2	2,147	3,109	3,109	3,109	3,109	3,109	3,109	3,109	3,109	3,109	3,109	(8,793)	24,444	34,352	34,352
<b>Total Capital Expenditure</b>	2	2,147	3,109	3,109	3,109	3,109	3,109	3,109	3,109	3,109	3,109	3,109	(8,793)	24,444	34,352	34,352

**Table 37 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)**

Description	Ref	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
		July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital Expenditure - Standard</b>	1															
<i>Governance and administration</i>		120	-	-	-	-	-	-	-	-	-	-	-	120	-	-
Executive and council		60												60	-	-
Budget and treasury office		30												30	-	-
Corporate services		30												30	-	-
<i>Community and public safety</i>		253	253	253	253	253	253	253	253	253	253	253	248	3,030	-	-
Community and social services		253	253	253	253	253	253	253	253	253	253	253	248	3,030	-	-
Sport and recreation														-	-	-
Public safety														-	-	-
Housing														-	-	-
Health														-	-	-
<i>Economic and environmental services</i>		1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,395	16,718	19,352	19,352
Planning and development														-	-	-
Road transport		1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,393	1,395	16,718	19,352	19,352
Environmental protection														-	-	-
<i>Trading services</i>		381	381	381	381	381	381	381	381	381	381	381	384	4,575	15,000	15,000
Electricity		381	381	381	381	381	381	381	381	381	381	381	384	4,575	15,000	15,000
Water														-	-	-
Waste water management														-	-	-
Waste management														-	-	-
<i>Other</i>														-	-	-
<b>Total Capital Expenditure - Standard</b>	2	2,147	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	2,027	24,444	34,352	34,352
<b>Funded by:</b>																
National Government		1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,770	1,769	21,234	34,352	34,352
Provincial Government		250	250	250	250	250	250	250	250	250	250	250	250	3,000	-	-
District Municipality														-	-	-
Other transfers and grants														-	-	-
Transfers recognised - capital		2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,019	24,234	34,352	34,352
Public contributions & donations														-	-	-
Borrowing														-	-	-
Internally generated funds													210	210	-	-
<b>Total Capital Funding</b>		2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,229	24,444	34,352	34,352

**Table 38 MBRR SA30 - Budgeted monthly cash flow**

MONTHLY CASH FLOWS R thousand	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Cash Receipts By Source</b>													1		
Property rates	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,905	3,909	46,864	49,676	52,657
Property rates - penalties & collection charges	668	668	668	668	668	668	668	668	668	668	668	672	8,020	8,501	9,011
Service charges - electricity revenue	17,560	17,560	17,560	17,560	17,560	17,560	17,560	17,560	17,560	17,560	17,560	17,564	210,725	223,368	236,770
Service charges - water revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	479	479	479	479	479	479	479	479	479	479	479	480	5,750	6,095	6,460
Service charges - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rental of facilities and equipment	5	5	5	5	5	5	5	5	5	5	5	8	63	67	71
Interest earned - external investments	25	25	25	25	25	25	25	25	25	25	25	20	295	313	331
Interest earned - outstanding debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	113	6	6	6	6	6	6	6	6	6	6	1,187	1,360	1,442	1,528
Licences and permits	423	423	423	423	423	423	423	423	423	423	423	427	5,080	5,385	5,708
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer receipts - operational	5,034	4,881	4,881	4,881	4,881	4,881	4,881	4,881	4,881	4,881	4,881	6,559	60,403	64,027	67,869
Other revenue	253	253	253	253	253	253	253	253	253	253	253	254	3,037	3,219	3,412
<b>Cash Receipts by Source</b>	<b>28,466</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>28,205</b>	<b>31,080</b>	<b>341,597</b>	<b>362,092</b>	<b>383,818</b>
<b>Other Cash Flows by Source</b>															
Transfer receipts - capital	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,020	2,015	24,234	25,688	27,229
Contributions recognised - capital & Contributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	6	6	6	6	6	6	6	6	6	6	6	2	68	72	76
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	8	8	8	8	8	8	8	8	8	8	8	6	94	100	106
<b>Total Cash Receipts by Source</b>	<b>30,499</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>30,239</b>	<b>33,103</b>	<b>365,993</b>	<b>387,952</b>	<b>411,229</b>
<b>Cash Payments by Type</b>															
Employee related costs	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,097	7,092	85,159	90,269	95,685
Remuneration of councillors	466	475	475	475	475	475	475	475	475	475	475	376	5,592	5,928	6,283
Finance charges	390	390	390	390	390	390	390	390	390	390	390	389	4,679	4,960	5,258
Bulk purchases - Electricity	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,684	14,681	176,205	186,777	197,984
Bulk purchases - Water & Sewer	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other materials	704	704	704	704	704	704	704	704	704	704	704	708	8,452	8,959	9,497
Contracted services	961	961	961	961	961	961	961	961	961	961	961	960	11,531	12,223	12,956
Transfers and grants - other municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers and grants - other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	2,707	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	2,824	1,536	32,483	34,432	36,498
<b>Cash Payments by Type</b>	<b>27,008</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>27,135</b>	<b>25,743</b>	<b>324,101</b>	<b>343,547</b>	<b>364,160</b>
<b>Other Cash Flows/Payments by Type</b>															
Capital assets	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	2,037	24,444	25,911	27,465
Repayment of borrowing	481	481	481	481	481	481	481	481	481	481	481	486	5,777	6,124	6,491
Other Cash Flows/Payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Cash Payments by Type</b>	<b>29,527</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>29,653</b>	<b>28,265</b>	<b>354,322</b>	<b>375,581</b>	<b>398,116</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>973</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>586</b>	<b>4,838</b>	<b>11,670</b>	<b>12,371</b>	<b>13,113</b>
Cash/cash equivalents at the month/year begin:	(21,041)	(20,068)	(19,482)	(18,896)	(18,310)	(17,724)	(17,138)	(16,552)	(15,966)	(15,380)	(14,794)	(14,208)	(21,041)	(9,371)	3,000
Cash/cash equivalents at the month/year end:	(20,068)	(19,482)	(18,896)	(18,310)	(17,724)	(17,138)	(16,552)	(15,966)	(15,380)	(14,794)	(14,208)	(9,371)	(9,371)	3,000	16,113

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1									
<b>Capital expenditure on new assets by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		28,722	25,979	44,951	17,955	17,955	17,955	16,688	-	-
Infrastructure - Road transport		28,722	25,979	18,061	17,955	17,955	17,955	16,688	-	-
<i>Roads, Pavements &amp; Bridges</i>		28,722	25,979	18,061	17,955	17,955	17,955	16,688		
<i>Storm water</i>										
Infrastructure - Electricity		-	-	2,400	-	-	-	-	-	-
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>				2,400						
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		-	-	24,490	-	-	-	-	-	-
<i>Waste Management</i>										
<i>Transportation</i>	2									
<i>Gas</i>										
<i>Other</i>	3			24,490						
<b>Community</b>		-	-	3,406	-	-	-	-	-	-
Parks & gardens				3,406						
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses	7									
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		1,152	-	1,633	1,980	3,980	3,980	3,210	-	-
General vehicles		649								
Specialised vehicles	10	-	-	-	-	-	-	-	-	-
Plant & equipment		230								
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other				1,633	1,980	3,980	3,980	3,210		
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Capital Expenditure on new assets</b>	1	29,874	25,979	49,989	19,935	21,935	21,935	19,898	-	-

**Table 39 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class**

Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure on renewal of existing assets by Asset Class/Sub-class										
Infrastructure		-	-	10,000	15,000	15,000	15,000	4,545	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Roads, Pavements & Bridges										
Storm water										
Infrastructure - Electricity		-	-	10,000	15,000	15,000	15,000	4,545	-	-
Generation				10,000	15,000	15,000	15,000	4,545		
Transmission & Reticulation										
Street Lighting										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Dams & Reservoirs										
Water purification										
Reticulation										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation										
Sewerage purification										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Waste Management										
Transportation		2								
Gas										
Other		3								
Community			-	-	-	-	-	-	-	-
Parks & gardens										
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses		7								
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing	8									
Other										
Heritage assets		-	-	-	-	-	-	-	-	
Buildings										
Other	9									
Investment properties		-	-	-	-	-	-	-	-	
Housing development										
Other										
Other assets		-	-	-	-	-	-	-	-	
General vehicles										
Specialised vehicles										
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
Agricultural assets		-	-	-	-	-	-	-	-	
List sub-class										
Biological assets		-	-	-	-	-	-	-	-	
List sub-class										
Intangibles		-	-	-	-	-	-	-	-	
Computers - software & programming										
Other (List sub-class)										
Total Capital Expenditure on renewal of existing	1	-	-	10,000	15,000	15,000	15,000	4,545	-	-



**Table 40 MBRR SA34c - Repairs and maintenance expenditure by asset class**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>R thousand</b>	<b>1</b>									
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>										
<b>Infrastructure</b>		26,597	7,768	10,342	10,342	10,342	10,342	4,730	-	-
Infrastructure - Road transport		13,678	4,094	3,588	3,800	3,800	3,800	2,000	-	-
<i>Roads, Pavements &amp; Bridges</i>		11,150	4,094	3,588	3,800	3,800	3,800	2,000		
<i>Storm water</i>		2,528								
Infrastructure - Electricity		12,919	3,674	6,754	6,542	6,542	6,542	2,730	-	-
<i>Generation</i>										
<i>Transmission &amp; Reticulation</i>		12,919	3,674	6,754	6,542	6,542	6,542	2,730		
<i>Street Lighting</i>										
Infrastructure - Water		-	-	-	-	-	-	-	-	-
<i>Dams &amp; Reservoirs</i>										
<i>Water purification</i>										
<i>Reticulation</i>										
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
<i>Reticulation</i>										
<i>Sewerage purification</i>										
Infrastructure - Other		-	-	-	-	-	-	-	-	-
<i>Waste Management</i>										
<i>Transportation</i>	2									
<i>Gas</i>										
<i>Other</i>	3									
<b>Community</b>		3,722	30	24	59	59	59	59	-	-
Parks & gardens		968								
Sportsfields & stadia		48	30	24	59	59	59	59		
Swimming pools										
Community halls		2,392								
Libraries										
Recreational facilities										
Fire, safety & emergency		37								
Security and policing		215								
Buses										
Clinics	7									
Museums & Art Galleries		7								
Cemeteries		55								
Social rental housing	8									
Other										
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Housing development										
Other										
<b>Other assets</b>		-	2,406	2,626	3,737	3,737	3,737	3,663	-	-
General vehicles			575	1,008	1,466	1,466	1,466	1,466		
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment			378	342	354	354	354	361		
Computers - hardware/equipment										
Furniture and other office equipment			18	53	103	103	103	103		
Abattoirs										
Markets										
Civic Land and Buildings			1,226	825	1,374	1,374	1,374	1,295		
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other			209	398	440	440	440	440		
<b>Agricultural assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Biological assets</b>		-	-	-	-	-	-	-	-	-
<i>List sub-class</i>										
<b>Intangibles</b>		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Other ( <i>list sub-class</i> )										
<b>Total Repairs and Maintenance Expenditure</b>	<b>1</b>	<b>30,319</b>	<b>10,205</b>	<b>12,992</b>	<b>14,138</b>	<b>14,138</b>	<b>14,138</b>	<b>8,452</b>	<b>-</b>	<b>-</b>

**Table 41 MBRR SA35 - Future financial implications of the capital budget**

Vote Description R thousand	Ref	2016/17 Medium Term Revenue & Expenditure Framework		
		Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<b>Capital expenditure</b>	1			
Vote 1 - CORPORATE SERVICES		60	-	-
Vote 2 - MUNICIPAL MANAGER		30	-	-
Vote 3 - FINANCE DEPARTMENT		30	-	-
Vote 4 - CIVIL SERVICES		16,718	19,352	19,352
Vote 5 - PLANNING, ECONOMIC & COMMUNITY SE		3,030	-	-
Vote 6 - ELECTRICAL DEPARTMENT		4,575	15,000	15,000
Vote 7 - [NAME OF VOTE 7]		-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-
<i>List entity summary if applicable</i>				
<b>Total Capital Expenditure</b>		<b>24,444</b>	<b>34,352</b>	<b>34,352</b>
<b><u>Future operational costs by vote</u></b>	2			

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## **Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
  2. Internship programme  
The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department.
  3. Budget and Treasury Office  
The Budget and Treasury Office has been established in accordance with the MFMA.
  4. Audit Committee  
An Audit Committee has been established but outsourced.
  5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2016/17 MTREF in May 2016 directly aligned and informed by the 2016/17 MTREF.
  6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
  7. MFMP Training  
The MFMP training is currently underway and most senior management are partaking in this training.
  8. Policies  
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.
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## 2.10 Other supporting documents

**Table 42 MBRR Table SA1 - Supporting detail to budgeted financial performance**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
<b>REVENUE ITEMS:</b>											
<b>Property rates</b>	6										
Total Property Rates		69,040	96,768	94,662	90,517	90,517	63,441	63,441	90,483	95,912	101,666
<i>less Revenue Foregone (exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA)</i>		30,934	36,594	31,740	32,719	32,719	32,719	32,719	32,976	34,955	37,052
Net Property Rates		38,106	60,174	62,923	57,798	57,798	30,722	30,722	57,506	60,957	64,614
<b>Service charges - electricity revenue</b>	6										
Total Service charges - electricity revenue		158,001	168,691	172,208	196,549	196,549	212,104	212,104	215,025	227,926	241,602
<i>less Revenue Foregone (in excess of 50 kwh per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (50 kwh per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - electricity revenue		158,001	168,691	172,208	196,549	196,549	212,104	212,104	215,025	227,926	241,602
<b>Service charges - water revenue</b>	6										
Total Service charges - water revenue		-	-	-	-	-	-	-	-	-	-
<i>less Revenue Foregone (in excess of 6 kilolitres per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (6 kilolitres per indigent household per month)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - water revenue		-	-	-	-	-	-	-	-	-	-
<b>Service charges - sanitation revenue</b>											
Total Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-
<i>less Revenue Foregone (in excess of free sanitation service to indigent households)</i>		-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (free sanitation service to indigent households)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - sanitation revenue		-	-	-	-	-	-	-	-	-	-
<b>Service charges - refuse revenue</b>	6										
Total refuse removal revenue		5,353	6,529	6,628	5,806	7,117	7,044	7,044	7,467	7,915	8,390
Total landfill revenue		-	-	-	-	-	-	-	-	-	-
<i>less Revenue Foregone (in excess of one removal a week to indigent households)</i>		-	-	-	-	-	-	-	-	-	-
<i>less Cost of Free Basis Services (removed once a week to indigent households)</i>		-	-	-	-	-	-	-	-	-	-
Net Service charges - refuse revenue		5,353	6,529	6,628	5,806	7,117	7,044	7,044	7,467	7,915	8,390
<b>Other Revenue by source</b>											
Admin for debtors & private work, admission fees		2,833	3,228	3,635	8	8	3,085	3,085	83	87	93
Agricultural leases, building plans, burial fees, clearance certificates		-	-	-	378	378	-	-	393	417	442
Connection fees, disconnection & reconnection fees		-	-	-	897	897	-	-	1,231	1,305	1,383
Income from ferrows, encroachment, fire brigade, insurance claims		-	-	-	152	152	-	-	82	87	92
Profit rechargeable works, repairs to installations		-	-	-	122	122	-	-	139	147	156
Sale of land, photocopies, plaques		-	-	-	4,506	4,506	-	-	16	17	18
Sectional title fees, sign display, skill levy		-	-	-	125	125	-	-	191	203	215
Sundry income		-	-	-	1,586	1,586	-	-	898	952	1,009
Trade licences		-	-	-	4	4	-	-	4	4	4
Valuation certificates		-	-	-	-	-	-	-	-	-	-
<b>Total 'Other' Revenue</b>	3	2,833	3,228	3,635	7,778	7,778	3,085	3,085	3,037	3,220	3,413

EXPENDITURE ITEMS:											
Employee related costs											
Basic Salaries and Wages	2	40,555	45,233	51,700	52,978	52,978	82,448	82,448	56,525	59,916	63,511
Pension and UIF Contributions		6,445	8,014	7,808	8,169	8,169			8,747	9,272	9,828
Medical Aid Contributions		2,769	3,510	3,910	3,960	3,960			4,237	4,491	4,760
Overtime		2,069	2,883	3,519	3,262	3,262			3,490	3,700	3,922
Performance Bonus		4,088	3,989	4,149	4,282	4,282			4,755	5,040	5,343
Motor Vehicle Allowance		1,694	1,661	1,701	1,769	1,769			1,893	2,006	2,127
Cellphone Allowance		-	-	-	-	-			-	-	-
Housing Allowances		235	223	296	318	318			341	361	383
Other benefits and allowances		1,357	7,898	2,783	1,762	1,762			1,706	1,809	1,917
Payments in lieu of leave		359	279	243	3,239	3,239			3,465	3,673	3,894
Long service awards		9	3	-	-	-			-	-	-
Post-retirement benefit obligations	4	2,521	1,644	747	-	-			-	-	-
sub-total	5	62,101	75,337	76,856	79,739	79,739	82,448	82,448	85,159	90,269	95,685
Less: Employees costs capitalised to PPE											
Total Employee related costs	1	62,101	75,337	76,856	79,739	79,739	82,448	82,448	85,159	90,269	95,685
Contributions recognised - capital											
List contributions by contract											
Total Contributions recognised - capital		-	-	-	-	-	-	-	-	-	-
Depreciation & asset impairment											
Depreciation of Property, Plant & Equipment		36,782	38,664	47,673	44,436	44,436	44,436	44,436	54,656	57,936	61,412
Lease amortisation											
Capital asset impairment											
Depreciation resulting from revaluation of PPE											
Total Depreciation & asset impairment	10	36,782	38,664	47,673	44,436	44,436	44,436	44,436	54,656	57,936	61,412
Bulk purchases											
Electricity Bulk Purchases		129,227	132,913	143,811	161,065	161,065	151,519	151,519	176,205	186,777	197,984
Water Bulk Purchases											
Total bulk purchases	1	129,227	132,913	143,811	161,065	161,065	151,519	151,519	176,205	186,777	197,984
Transfers and grants											
Cash transfers and grants		-	-	-	-	-	-	-	-	-	-
Non-cash transfers and grants		1,165	6,143	6,921	8,537	8,537	8,537	8,537	-	-	-
Total transfers and grants	1	1,165	6,143	6,921	8,537	8,537	8,537	8,537	-	-	-
Contracted services											
Grass Cutting		-			1	1			1		
Security Services		9,696	2,991	8,362	10,885	10,886	11,960	11,960	11,530	12,222	12,955
Legal Fees		222									
Electrical Engineers		995									
Road Maintenance Fees		147									
Civil Engineers		102									
Asset Register Support		8									
Payroll Consultants		34									
Post Retirement Benefits Consultants		20									
sub-total	1	11,223	2,991	8,362	10,886	10,887	11,960	11,960	11,531	12,222	12,955
Allocations to organs of state:											
Electricity											
Water											
Sanitation											
Other											
Total contracted services		11,223	2,991	8,362	10,886	10,887	11,960	11,960	11,531	12,222	12,955
Other Expenditure By Type											
Collection costs											
Contributions to 'other' provisions											
Consultant fees				8,362	5,736	5,036	48,246	48,246	1,974	2,092	2,218
Audit fees				1,208	1,409	1,409			1,686	1,787	1,894
General expenses	3	27,590	35,800	13,250	16,187	23,195			8,905	10,927	11,582
Skills Levy					796	796			853	904	959
Fuel and Oil				4,627	4,423	4,423			3,353	3,554	3,767
Telephone and fax				1,863	1,596	1,596			1,117	1,184	1,256
Internal Audit Fees				278	756	1,456			1,020	1,081	1,146
Bank Charges				395	562	562			393	417	442
Weenen Streetlights - Eskom					1,685	1,685			1,179	1,250	1,325
EPWP Expenditure				1,000	1,050	1,050			-	-	-
FMG Expenditure				1,650	1,500	1,500			1,625	1,723	1,826
Ward Committee Training				620	-	-			400	424	449
Insurance				998	1,160	1,110			777	824	873
Keep Umtshezi Clean Expenditure					1,200	1,200			1,200	1,272	1,348
Valuation Roll Expenditure				217	887	887			621	658	698
Levies					950	950			140	148	157
Fire Engine Expenditure					932	932			653	692	733
Licences					480	430			301	319	338
Prodiba Licence Card Expenditure					444	444			311	330	349
Postal Services				433	452	459			321	340	361
Printing and Stationery				479	557	572			401	425	450
Refuse bags and Uniforms					1,527	1,647			1,153	1,222	1,295
Debt Collection Expenses					3,000	6,000			2,100	2,226	2,360
Prepaid Electricity Expenses				1,538	985	985			689	731	775
Rent/Hire of Office Equipment					1,875	1,871			1,310	1,389	1,472
Total 'Other' Expenditure	1	27,590	35,800	36,919	50,152	60,198	48,246	48,246	32,483	35,919	38,074

**Table 43 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)**

[illegible]

**Table 44 MBRR Table SA3 – Supporting detail to Statement of Financial Position**

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
R thousand												
ASSETS												
Call investment deposits	2											
Call deposits < 90 days		27,503	31,576	5,787	4,073	6,173	6,173	6,173	-	4,076	4,321	
Other current investments > 90 days												
Total Call investment deposits		27,503	31,576	5,787	4,073	6,173	6,173	6,173	-	4,076	4,321	
Consumer debtors												
Consumer debtors	2	78,025	94,236	116,491	94,264	94,264	94,264	94,264	61,138	151,881	160,994	
Less: Provision for debt impairment		(34,913)	(38,765)	(46,663)	(38,794)	(12,908)	(12,908)	(12,908)	(22,855)	(62,323)	(66,063)	
Total Consumer debtors		43,112	55,471	69,828	55,471	81,356	81,356	81,356	38,283	89,558	94,931	
Debt impairment provision												
Balance at the beginning of the year	2	12,882										
Contributions to the provision		(5,873)	14,452	16,756	12,908	12,908	12,908	12,908	9,035	9,577	10,152	
Bad debts written off		(584)										
Balance at end of year		6,425	14,452	16,756	12,908	12,908	12,908	12,908	9,035	9,577	10,152	
Property, plant and equipment (PPE)												
PPE at cost/valuation (excl. finance leases)	3	652,751	879,388	937,604	987,366	987,366	987,366	987,366	1,021,637	1,082,935	1,147,911	
Leases recognised as PPE					-	-						
Less: Accumulated depreciation		31,461	233,860	279,801	332,759	332,759	332,759	332,759	378,893	401,626	425,723	
Total Property, plant and equipment (PPE)	2	621,290	645,528	657,802	654,607	654,607	654,607	654,607	642,744	681,309	722,188	
LIABILITIES												
Current liabilities - Borrowing												
Short term loans (other than bank overdraft)	2		4,135	3,286					1,012	1,073	1,137	
Current portion of long-term liabilities		534	1,100	2,121	5,777	5,777	5,777	5,777	2,703	2,865	3,037	
Total Current liabilities - Borrowing		534	5,236	5,407	5,777	5,777	5,777	5,777	3,715	3,938	4,174	
Trade and other payables												
Trade and other creditors	2	31,135	40,075	45,193	21,500	21,500	21,500	21,500	38,290	53,653	56,872	
Unspent conditional transfers		16,841	18,922	2,450	3,591	3,591	3,591	3,591	1,250	2,051	2,174	
VAT												
Total Trade and other payables		47,976	58,997	47,643	25,091	25,091	25,091	25,091	39,540	55,704	59,046	
Non current liabilities - Borrowing												
Borrowing	4	8,728	8,103	9,685	2,876	2,876	2,876	2,876	7,473	7,921	8,396	
Finance leases (including PPP asset element)		1,246	11,307	8,991	11,615	11,615	11,615	11,615	2,046	2,169	2,299	
Total Non current liabilities - Borrowing		9,974	19,410	18,677	14,491	14,491	14,491	14,491	9,519	10,090	10,695	
Provisions - non-current												
Retirement benefits	2	15,122	19,884	22,117	15,663	15,663	15,663	15,663				
List other major provision items												
Refuse landfill site rehabilitation									18,267	19,363	20,525	
Other												
Total Provisions - non-current		15,122	19,884	22,117	15,663	15,663	15,663	15,663	18,267	19,363	20,525	
CHANGES IN NET ASSETS												
Accumulated Surplus/(Deficit)												
Accumulated Surplus/(Deficit) - opening balance	1	651,189	643,179	661,627	671,573	706,318	705,954	705,954	616,911	706,056	748,486	
GRAP adjustments												
Restated balance		651,189	643,179	661,627	671,573	706,318	705,954	705,954	616,911	706,056	748,486	
Surplus/(Deficit)		(5,584)	1,815	1,683	(11,567)	(19,770)	(19,406)	(19,405)	(760)	(1,232)	(1,306)	
Appropriations to Reserves				1,001								
Transfers from Reserves												
Depreciation offsets												
Other adjustments												
Accumulated Surplus/(Deficit)			645,605	644,993	664,312	660,006	686,548	686,548	686,548	616,151	704,824	747,180
Reserves												
Housing Development Fund	2	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	
Capital replacement												
Self-insurance												
Other reserves												
Revaluation												
Total Reserves		1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	1,095	
TOTAL COMMUNITY WEALTH/EQUITY	2	646,700	646,089	665,407	661,101	687,643	687,643	687,643	617,246	705,919	748,275	



## Other Expenditure Breakdown

<b>GENERAL EXPENDITURE - DEPARTMENTS</b>	<b>BUDGETT AMOUNT</b>
ADVERTISEMENTS	169,360.10
AUDIT FEES (EXTERNAL)	1,686,034.70
AUDIT FEES INTERNAL	1,019,529.00
BANK CHARGES	393,232.00
BANK OVERDRAFT INTEREST	0.00
BAD DEBTS WRITTEN OFF	9,035,320.00
BURSARIES - GRANT IN AID	1,050,000.00
BURSARIES STAFF	87,939.60
BUDGET ROADSHOWS	0.00
BHAYLA PROPERTY	478,646.00
CARTAGE	0.00
CARETAKER MAINTAINANCE GRANT	0.00
CHEMICALS	36,218.00
CHRISTMAS DECORATIONS	0.00
CLEANING MATERIAL	175,000.00
COMMUNITY DEVELOPMENT	15,204.00
CONSULTANT FEES (MONITORING)	1,974,000.00
CO-OPS SUPPORT	190.40
CULTURAL ACTIVITIES - REED DANCE	2,450.00
DELEGATION FEES	0.00
DONATIONS - SPCA	70,000.00
DONATIONS - ESTCOURT NIGHT MARKET	7,000.00
DONATIONS - LIONS ROTARY CLUB	7,406.00
DONATIONS - CANCER AWARENESS	7,000.00
DONATIONS - NESTLE STUDENT SUMMER CAMP	0.00
DONATIONS - INDLAMU	105,000.00
DONATION - CUBA STUDENTS	0.00
ELECTRICITY - WEENEN EXPENDITURE	900,000.00
EMERGENCY RELIEF	14,812.00
ENTERTAINMENT & RECEPTIONS	83,559.70
EPWP - EXPENDITURE	0.00
EXCESS / PAYMENTS INSURANCE CLAIMS - GEN	80,511.20
EXCESS / PAYMENTS INSURANCE CLAIMS - VEH	0.00
EXPENDITURE FIN. MANAGEMENT GRANT	1,625,000.00
EXPENDITURE MUN. SYSTEM IMP GRANT	957,000.00
MSCOA	1,000,000.00
NATIONAL YOUTH DEVELOPMENT GRANT	0.00
FUEL & OIL	3,352,955.90
FERTILIZER & CHEMICALS	41,545.00
FIELD WORKERS	0.00
FOAM	14,812.00
GERIATRIC CLINIC	0.00
GRANTS AND DONATIONS(OTHER)	33,600.00
GUTTER BRIDGES	0.00
HIV/AIDS PROGRAMME	70,000.00
IDP PMS	14,812.00
INDIGENT BURIALS - CONTRIBUTIONS	166,961.90

INDIGENT EXPENDITURE (CONTRIBUTION)	74,060.00
INTERNS	55,545.00
INSURANCE -TOWN HALL	0.00
INSURANCE GENERAL	777,316.40
INSURANCE GENERAL - W.C.A.	0.00
INSURANCE VEHICLES	0.00
INVENTORY ITEMS	202,139.00
INFORMATION TECHNOLOGY EXPENSES	56,000.00
JUNIOR COUNCIL EXPENSES	0.00
KEEP UMTSHEZI CLEAN	1,200,000.00
LEGAL FEES	230,090.00
LEVIES/MEMBERSHIP FEES	140,000.00
LEASE ON FIRE ENGINE	53,608.38
LICENSES	79,052.40
LICENCE FEES RENEWALS	181,447.00
LICENCE & ROADWORTHINESS	40,733.00
LOOSE TOOLS	0.00
LOST BOOKS	0.00
LOSS ON ELECTRICITY CABLES	0.00
LANDFILL SITE PROVISION -FINANCE COSTS	0.00
PEST CONTROL	8,218.00
POSTAL SERVICES(POSTAGE & TELEGRAMS)	321,038.20
POUND ESTABLISHMENT	2,639.00
PRINTING & STATIONERY	400,541.40
PROMOTIONS	45,991.40
PRODIBA	311,052.00
PROPERTY RATES-INDIGENT GRANT EXPENDITUR	0.00
PROVISION FOR LANDFILL SITES	140,000.00
PUBLICITY	75,009.20
PROVISION - SROR	0.00
PUBLIC PARTICIPATION PROGRAMME	140,000.00
PURCHASE OF BOOKS	0.00
PURCHASE OF FEED	0.00
PURCHASE OF REFUSE BAGS	300,000.00
REGISTRATION SUPPORT FEES - STUDENTS	300,000.00
REFRESHMENTS	12,205.20
REFUSE REMOVAL CHARGES	0.00
COMMISSION - DEBT COLLECTION	1,500,000.00
COMMISSION - PREPAID ELECTRICITY	689,498.60
RELIEF OF RATES	0.00
RENT/HIRE - OFFICE EQUIPMENT & OTHER	1,309,948.50
RENT - PLANT & VEHICLES	269,852.10
RENT - LIBRARY SERVICES	0.00
STAFF TEAM BUILDING	35,000.00
REPOSESSION OF LAND	0.00
SPORTS AND RECREATION	1,400.00
SPORT - KWANALOGA GAMES	140,000.00
SPORT PROGRAMME AND DEVELOPMENT	33,530.00
SKILLS DEVELOPMENT LEVY	853,210.00
SKILLS DEVELOPMENT LEVY - COUNCILLORS	0.00

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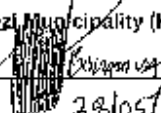
SOFTWARE MAINTENANCE	721,037.10
STATE HEALTH EXPENSES	0.00
STORES AND MATERIALS	0.00
SUBSISTENCE AND TRAVELLING	693,647.50
SUNDRIES	112,300.30
STAFF TEAM BUILDING	0.00
SPECIAL PROGRAMMES	70,000.00
SMME SUPPORT	14,140.00
STAFF - TEAM BUILDING	7,000.00
TELEPHONE	1,117,421.90
TRAINING(STAFF)	105,000.00
AMAKHOSI	55,930.00
TRAVELLING ALLOWANCE	0.00
TESTING	28,000.00
REVIEW LED STRATEGY	60,200.00
TOURISM	210,000.00
TOWN PLANNING SHARED SERVICES GRANT	145,173.00
TOWN PLANNING AND SURVEYING EXPENSES	0.00
UNIFORMS AND PROTECTIVE CLOTHING	749,552.30
CONTINGENT RENT	0.00
WRITE OFF - INVENTORY	0.00
PROVISION FOR AUDIT FEES	0.00
UPDATING ASSET REGISTER	246,540.00
WARD COMMITTEES	399,924.00
VALUATION ROLL EXPENSES	400,000.00
YOUTH DEVELOPMENT	500,000.00

## 2.11 Municipal manager's quality certificate

I **E.H. Dladla**, Acting municipal manager of **uMtshezi Municipality**, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name E.H. Dladla

Municipal manager of **uMtshezi Municipality (KZN234)**

Signature 

Date 28/05/2016